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**Bargaining wages
trade unions and ruling coalitions in post-transition Chile and Uruguay**

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Bargaining wages: trade unions and ruling coalitions in
post-transition Chile and Uruguay

Juan Jacobo Velasco Molina

A thesis submitted for the degree of Doctor of
Philosophy

King's College London Department of International
Development

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Para Baveluma *with love and squalor*

Abstract

It is argued that centre-left governments are better placed to ensure welfare state responses, which in turn has an impact on poverty and inequality. Why have the centre-left coalitions of two countries like Chile and Uruguay, had different impacts on wage bargaining? This dissertation offers a political economy approach to understanding the adoption of wage policy and the resulting policy consequences. My dissertation argues there are three elements that define wage policy outcomes. First, the nature of democratic transitions helps to shape the formation of redistributive or growth-oriented reform coalitions. Secondly, I look at whether government coalitions are embedded with trade unions agendas. Thirdly, I argue that legislative participation of constituency matters for ensuring the implementation of active wage policy.

To test these arguments, I analyse the cases of Chile and Uruguay. In the case of Chile, democratic transition shaped the willingness of Concertación to reform the collective bargaining legacy of the military regime. Consequently, minimum wages were used as active policies, benefiting low income workers but with no impact on income distribution. On the contrary, in Uruguay, where institutional restrictions were absent, wage policy fluctuated according to Governments' preferences. With Frente Amplio in power, a coalition with strong linkage to trade union agendas, both minimum wages and collective bargaining were used actively in a context of a legislative majority with a high presence of trade union-linked legislators.

I use a combination of methods to test these arguments. Accordingly, I include historical research, electoral and legislative data, semi-structured elite interviews and process tracing to analyse how relevant actors bargained the nature and outcomes of wage policies and their connection to other social policies. This research work makes two contributions. To the industrial relations literature, it offers a political economy approach for a better understanding of the connections of minimum wages and collective bargaining over time. Second, it improves the existing political economy literature by focusing on the question of the importance of how the embeddedness of constituency has an impact on the expansion of socioeconomic policy.

Acknowledgements

I arrived in the United Kingdom in 2013 to start my PhD with the secret desire to swim across the English Channel. Seriously. I started swimming 2 kilometres, later 2.5 kms., and finally 3 kms. *per day*. My swimming kept me sane, helping me to put things in perspective. The insight I developed through my swimming also gave me millions of reasons to reject the crazy dream of me swimming the 34 kilometres that separate the English and French shores.

However, in retrospective, I did something similar: Knowledge is a vast ocean and a PhD is a path to cross that vastness. Like attempting a channel crossing, in doing a PhD you know where you start but you never know where you will finish. In my swimming-the-Channel-like PhD I got the support of an amazing group of people. First at the University of Manchester, my coaches were Damian Grimshaw and Jill Rubery. And since 2015, in the Department of International Development at King's College London, my coaches were Andrés Mejía and Peter Kingstone. I learnt a lot from both coaching experiences, especially how important it is to figure out priorities in a research project.

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I also had to dive. Searching for new information is like going deep down in open waters. To get what was under the surface I received the support of many people in different countries. King's Department of International Development and the King's Faculty of Social Sciences and Public Policy gave me financial support for field work and conference attendance, all of which contributed to my project. In Uruguay, CINTEFOR's Adriana Betbeder and Fernando Casanova opened the first doors that allowed me to access many interviewees. Later on, Juan Bogliaccini and his team at Universidad Católica and Juan Moraes at Universidad de la República were amazingly generous with their feedback, time, offices and contacts, making

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Like I said, I did not swim across the English Channel. However, with this dissertation, somehow differently, I did. This is the story of my journey. Thanks to all who made it possible.

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Abbreviations and acronyms

CDP	Christian Democratic Party
CME	Coordinated Market Economy
ECLAC	UN Economic Commission for Latin America and the Caribbean
FA	Frente Amplio
ILO	International Labor Office
LME	Liberal Market Economy
PIT-CNT	Uruguayan National Trade Union Federation
PJ	Partido Justicialista
PMP	Policy-Making Process
PRI	Partido de la Revolución Democrática
PT	Partido dos Trabalhadores
SME	Small and Medium Enterprises
SUTD	Sindicato Unido de Trabajadoras Domésticas
SP	Socialist Party
TTP	Tripartite Top Council
VoC	Varieties of Capitalism

Chapter 1. Wage policymaking in Chile and Uruguay: a preliminary discussion.

1.1. Introduction

After years of a prevailing neo-liberal ethos in the 1980s and 1990s, a new approach to the policymaking process (PMP) expanded social and labour policy coverage, reducing poverty and diminishing inequality in Latin American countries. This shift has been linked to the arrival of left-wing governments in many Latin American countries, along with the regional commodities boom experienced in the 2000s. However, countries like Uruguay and Chile, with similar socio-economic indicators and PMP stability, experienced a different pattern in their minimum wage and collective bargaining policies even when ruled by left-wing coalitions. The arrival of Frente Amplio to power in Uruguay extended collective bargaining and reactivated minimum wages after a period of democratisation characterised by a contractive use of minimum wages and the deactivation of collective bargaining (Figure 1.1). By contrast, during the Concertación governments, wage policy in Chile remained largely unchanged throughout the democratic transition, being characterised by an active use of minimum wages and stagnant levels of collective bargaining (Figure 1.2).

Figure 1.1. Evolution of real minimum wage and collective bargaining in Uruguay. 1973-2014

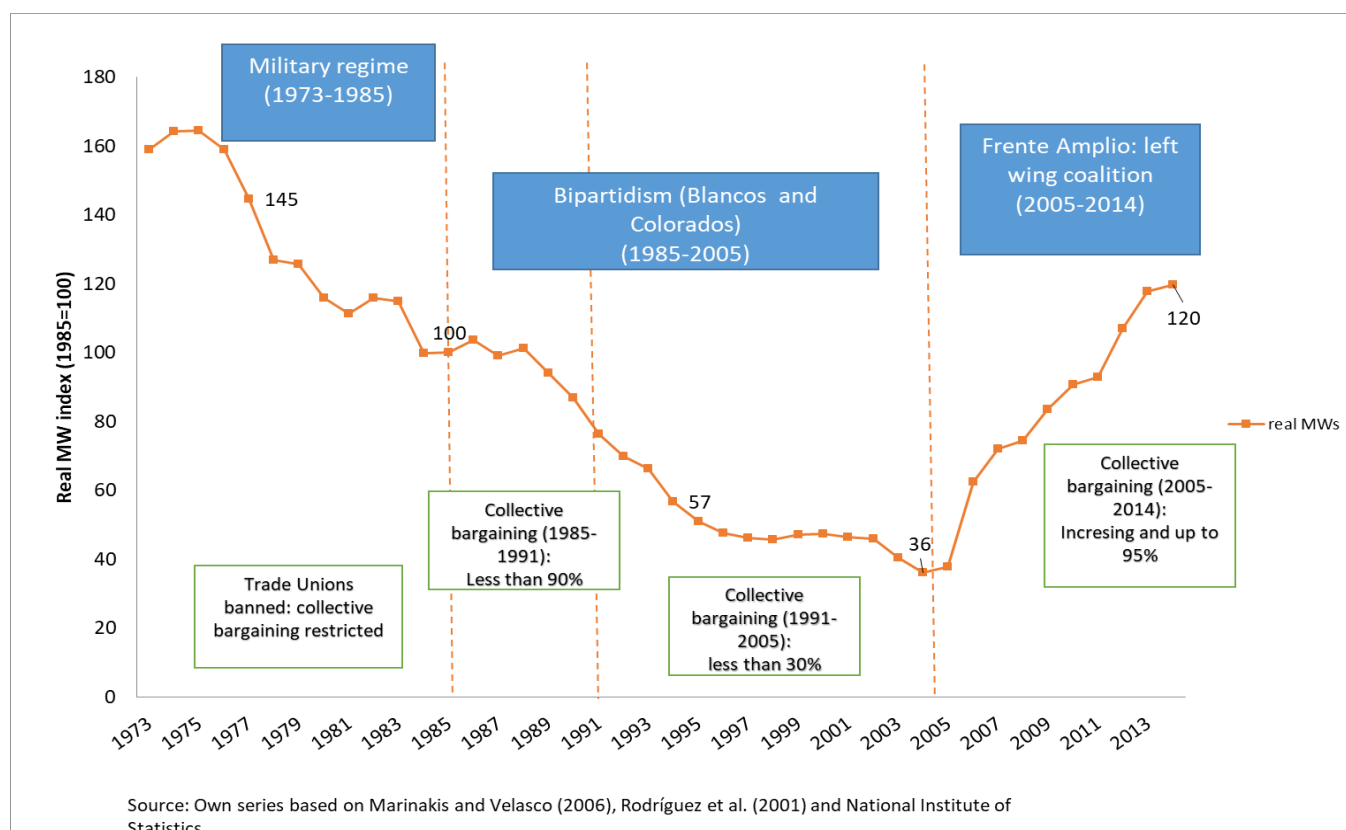
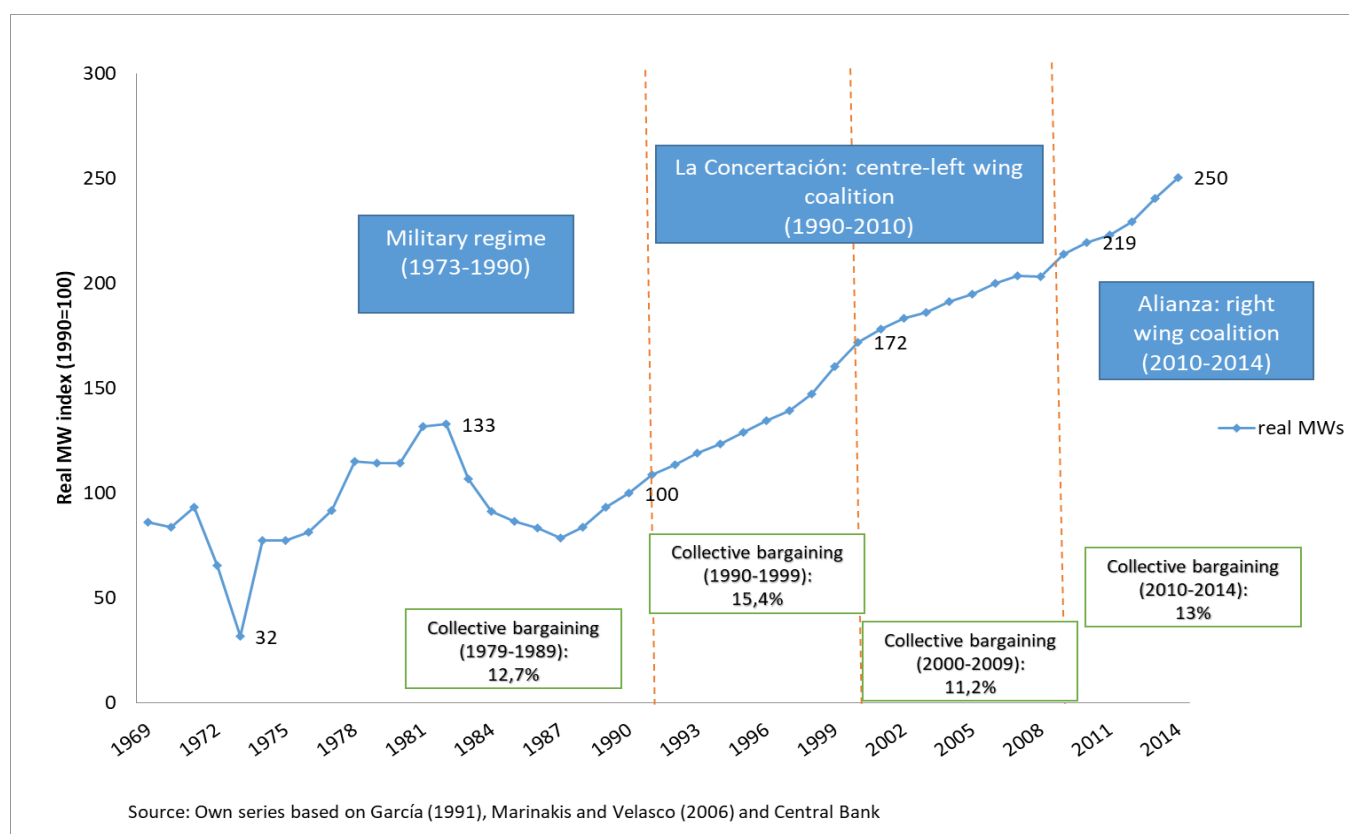


Figure 1.2. Evolution of real minimum wage and collective bargaining in Chile. 1969-2014



What happened in these countries seems to be related to the timing of democratic and economic reforms and the pattern of the democratic transition each country faced. Whilst in Uruguay economic reforms (early 1990s) arrived after the democratic transition, in Chile economic reforms were implemented during the military regime and were part of the negotiations throughout the democratisation process. The transition also conditioned the political system and PMP structure in both countries. In the case of Chile, wage policies were shaped by the 1980 Constitution that set political restrictions during the democratic transition that limited reforms in the collective bargaining structure. On the contrary, in Uruguay, without these restrictions, minimum wage and collective bargaining policies fluctuated according to the government's preferences.

The selection of Chile and Uruguay as cases for studying the policymaking of wage policies is based on several important elements that facilitate the analytical process, particularly considering the socioeconomic context and institutional spheres for comparison purpose. On the one hand, for the Latin American context both countries share similarly high levels of formal employment and GDP per capita (table 1.1) with relatively low levels of poverty. Moreover, the macroeconomic spheres of both countries since mid-2000s have had stable paths with a positive impact in both inflation and unemployment rates. Furthermore, Chile and Uruguay share many aspects of their policymaking institutionality. Accordingly, both countries have unitarian states, presidential regimes and bicameral legislative branches that are also ranked top in Latin America in terms of stability and quality. On the other hand, as aforementioned, Chile and Uruguay represent two different types of democratic transitions and industrial relations structures that are interlinked. In that sense, the changes that operated in the labour market during the military regime in Chile remained throughout the democratic transition due to the institutional architecture created by Pinochet. As a consequence, Chilean governments tried to introduce collective bargaining reforms in the 1990s without success. Conversely, the military regime in Uruguay did not introduce labour market reforms and did not influence the institutional infrastructure during the democratic transition, allowing democratic governments to decide the setting of wage policies according to their preferences. These similarities and differences among the economic and institutional contexts facilitate the analysis of the evolution of political variables and the strategies of actors and governments for the policymaking of wage policies.

Table 1.1. Chile and Uruguay. Main indicators and characteristics. 1990-2014

Year	Chile						Uruguay					
	1990	1995	2000	2005	2010	2014	1990	1995	2000	2005	2010	2014
GDP per capita US\$ 2010 1/	6089	8534	9775	11313	12695	14407	6877	8045	8672	9069	11942	13929
Inflation 2/	25.9	8.2	3.8	3	1.4	4.4	112.5	42.2	4.8	4.7	6.7	8.9
Poverty 3/	38.6	23.2	20.2	13.7	11.4	7.8	17.9	9.7	10.7	18.8	8.4	5.6
Gini 3/	0.55	0.55	0.56	0.52	0.52	0.51	0.49	0.42	0.45	0.45	0.42	0.38
Competitiveness 4/				26 (1)	30 (1)	34 (2)				75 (9)	65 (7)	85 (10)
Unemployment 5/	7.8	7.3	9.2	9.7	8.2	6.4	8.5	10.3	13.6	12.2	7.2	6.6
Employees + employers as % total employment 3/	69.2	72.7	72.9	73.2	74.6	76.4	73	70.2	67.5	68.7	69.2	75.1
Type of State	unitary presidential bicameral high stable						unitary presidential bicameral high stable					
Regime												
Parliamentary system												
Policymaking quality 6/												
Policymaking stability 7/												

Source:

1/ ECLAC

2/ World Bank and Chilean Central Bank

3/ ECLAC. In Chile, national data is obtained from years 1990, 1996, 2000, 2006, 2009 y 2013. In Uruguay, data corresponds to urban total until 2006. From 2007, national data considers both urban and rural areas.

4/ World Economic Forum. World ranking and, in brackets, regional ranking. First data available from 2007

5/ National Institutes of Statistics of Chile and Uruguay

6/ World Bank

7/ Stiller et al. (2006)

To analyse wage policy expansion –defined as increasing coverage and active use of wage policies- in Chile and Uruguay during the post dictatorial period, this research looks at the ruling coalition’s linkage to the trade union agendas, the legislative participation of these coalitions and institutional legacies as independent variables. Findings suggest that governments with a strong linkage to trade union agendas are more likely to expand wage policies. Additionally, in order to expand wage policies, ruling coalitions also require a legislative majority. In particular, when these ruling coalitions have a legislative majority and they allow a high participation of trade unions in the Legislative, their wage policy-making will result in the activation of both collective bargaining and minimum wages. Likewise, this research also argues that institutional legacies, particularly during the democratic transition, shape the possibility of wage policy path departure. Moreover, institutional legacies appear as a policy deterrence when they are linked to an economic growth imperative (EGI) that limits the extension of wage policy. On the other hand, institutional legacies are also linked to the type of democratic transition. Furthermore, when the institutional structure of the democratic transition limits the possibility to achieve legislative majorities, the process of implementing wage policy reforms is more restrictive.

Considering these elements, this study's contribution is twofold. For the policymaking discussion in Latin America, this research applies a political economy framework for the study of a specific sector with distributive consequences. For the recent debate on wage policy in industrial relations, this research is innovative in exploring Latin American wage policies, including political variables such as ruling coalitions' linkages to trade union agendas and legislative participation. On the other hand, it improves the existing political economy literature by focusing on the importance of how the embeddedness of constituency has an impact in the expansion of socioeconomic policy.

In order to organise an appropriate framework for analysing wage policy expansion in Chile and Uruguay, the next sections of this chapter are constructed as follows: Section 1.2 provides a brief theoretical discussion of several literature debates related to this research. These discussions are particularly focused on how the recent wage policy approach in the industrial relations perspective could include a political economy perspective. Section 1.3, focuses on how the main variables function for analysing wage policy during the democratic transition, particularly in the 2000s. Finally, section 1.4 articulates the operationalisation (variables and method) of this research and section 1.5 frames the contributions and structure of the thesis.

1.2. Different debates for explaining PMP for wage policies in Latin America

The quality and trends of policymaking processes in Latin America have been under permanent debate. A rich literature points out different factors that influenced PMP since the return to democracy in the 1980s. Particularly important objects of debate are the predominant political and ideological positions, like the neoliberal (1980s-1990s) and pink (2000s-2010s) tides (Castañeda, 2006; Roberts, 2007; Levitsky and Roberts, 2011; Kingstone, 2011). The influence of the economic trends that the region faced, and the internal economic imbalances that produced crisis and adjustments are also highlighted (Ffrench-Davis, 2000; Diez and Franschet, 2012; Haggard and Kaufman, 2012). Other issues are more politically structural, like the balance of power under presidential regimes, how the structure of policymaking is set up between Government and Parliament or under Unitarian/Federal regimes, and the structure of political participation and the composition (fragmented/majoritarian) of political coalitions in Government or Parliament (Stein et al., 2008). Finally, the debate also highlights the importance of business elites and trade unions

and their influence in Latin American policymaking (Cook, 1998; Collier and Collier, 2002; Cook, 2007; Schneider, 2008; Karcher and Schneider, 2012). The discussion of these issues is key to understanding how policies evolve. However, even though general economic, political and societal waves define a trend or direction, the differences in terms of magnitude and sustainability of policies among countries show there are idiosyncratic elements for explaining changes.

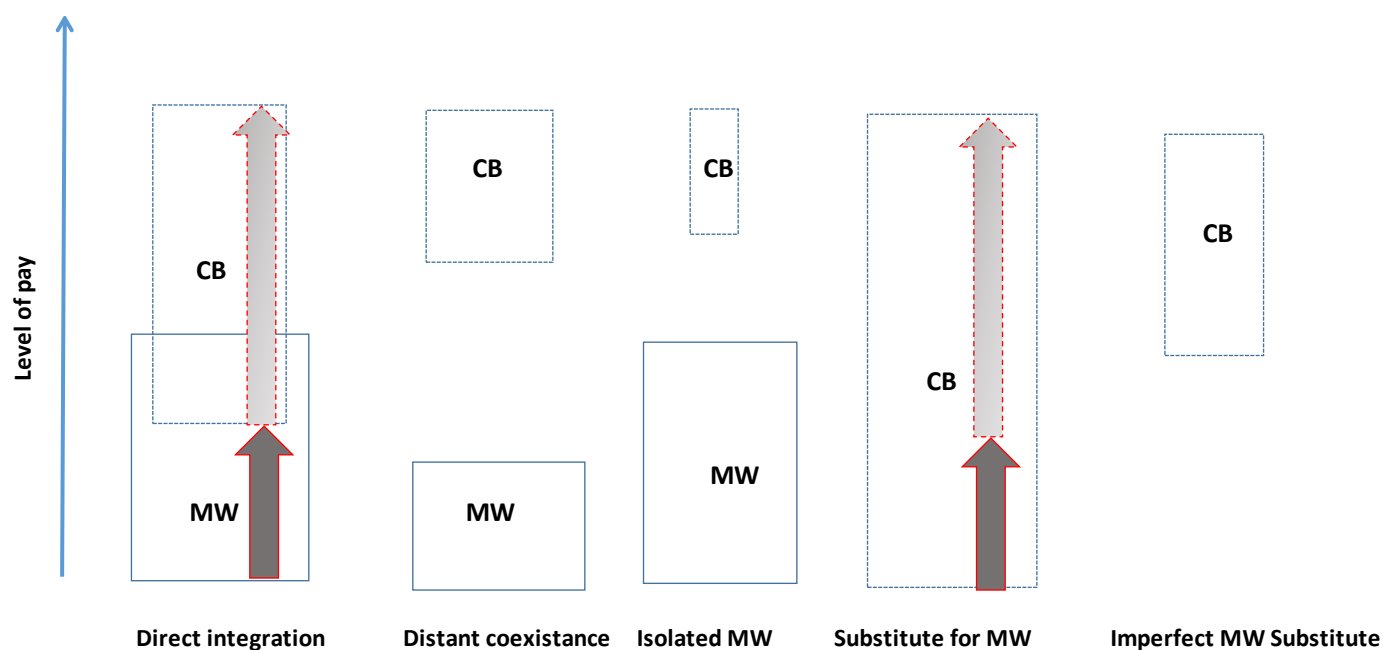
This is the case for the discussion of social policy in Latin America. As several authors observe, elements defined by political systems, predominant ideological ethos and historical processes –i.e. democratic transitions- have influenced the policymaking arenas in Latin America for social policy (Castiglioni, 2005; Pribble, 2013). Pribble in particular highlights three important elements that shape the expansion of social policy: institutional legacies, electoral competition and party character. According to Pribble, these elements explain why the policymaking around reforming and extending education and social security policy in Latin American countries had different outcomes in the 2000s. Institutional legacies are linked to previous institutional frameworks that define the need of policy reform and the interactions with actors involved. Electoral competition expresses the importance of a parliamentary majority in order to advance with the original policy project or, in case of having a legislative minority, negotiate contents of policy reforms. Finally, the character of the coalition in power explains how strategic the policy implementation is and how coordinated government agendas are with their constituency.

The debate on the political elements that shape social policymaking in Latin America is important because it points out the relevance of several features that are also present in broader discussions, such as the conditions of changes in Varieties of Capitalism (VoC). Part of the debate on VoC focuses on the apparent inevitable transition from Coordinated Market Economies (CMEs) to Liberal Market Economies (LMEs) without any feasible reversion of this process (Crouch and Farrell, 2004; Ebbinghaus, 2005). However, as several authors note, critical junctures and political processes led by different actors, could produce counterforces that trigger reversions in the opposite direction. As Bogliaccini (2012) observes, this has been the case in Uruguay under Frente Amplio's governments.

Wage policies –understood as the use of minimum wages and collective bargaining policies– is an area linked to the VoC structure and policy patterns. Traditionally, minimum wages and collective bargaining were seen as part of different types of policy goals. Whilst minimum wages are more oriented towards poverty alleviation and focused on the working poor, collective bargaining is used as a tool for income re-distribution in the labour market, with a higher impact on lower-middle and middle classes (Card and Krueger, 1995; Freeman, 1996; Eyraud and Saget, 2005; Kaufmann, 2010; Hayter and Weinberg, 2011; Bosch, 2015). Additionally, the use and structure of both policies have also been related to the type of capitalist structure. Whilst minimum wages and collective bargaining tend to be more active and have a higher coverage in CMEs, the opposite happens in LMEs (Gautié et al., 2010; Grimshaw and Bosch, 2013; Grimshaw et al., 2014, Hayter and Weinberg, 2011; Bosch, 2015). Consequently, how extended the coverage of each wage policy is, is generally seen as an outcome linked to the capitalist structure (Gautié et al., 2010; Grimshaw and Bosch, 2013).

The connection between minimum wages and collective bargaining is a relatively recent issue in the literature of labour policy (Grimshaw and Bosch, 2013; Grimshaw et al., 2014; Garnero et al., 2014). Grimshaw and Bosch (2013) and Grimshaw et al. (2014) claim that combinations of both instruments generate different outcomes in terms of income protection and income distribution (Figure 1.3 and Table 1.2). Active and well integrated minimum wages and collective bargaining are more successful at protecting incomes at the bottom of the pay scale and generate spill over effects all over the pay scale. On the contrary, less integrated wage policies produce lower effects on income protection and income distribution. Furthermore, these effects tend to be inexistent when both policies are totally disconnected. Consequently, the type of collective bargaining and minimum wage integration has a key importance for poverty reduction, income distribution and policy design (Grimshaw et al., 2014; Garnero et al., 2014; Bosch, 2015)

Figure 1.3. Types of minimum wage-collective bargaining interception



Notes: MW = national minimum wage; CB = collectively bargained rates of pay; width of boxes represents workforce coverage.
Source: adapted from Grimshaw and Bosch (2013)

Table 1.2. Typology of minimum wages and collective bargaining interconnections

Type of interconnection	Direct interception	Distant coexistence	Isolated minimum wages	Collective Bargaining Substitute of Minimum Wage	Imperfect substitute
Characteristics	Minimum wages and collective bargaining adjust actively and are closely related	Different adjustment logics. Wage policies are not connected	Collective bargaining limited. Minimum wage is the most important wage policy	Minimum wage does not exist or is marginal. Collective bargaining adjusts lower levels of the wage scale	Minimum wage does not exist or is marginal. Collective bargaining does not adjust lower levels of the wage scale
Effects	Increases in minimum wages have a spillover effect along the wage scale	Rises in minimum wages do not imply spillover effect in other wages above	Adjustments in minimum wages do not have effects in the rest of the wage scale	Through collective bargaining, the bottom of the wage scale and salaries above are adjusted.	Wages are adjusted thorough collective bargaining, excepting the bottom of the wage scale

Source: Based on Grimshaw and Bosch (2013) and Grimshaw et al. (2014)

The discussion of minimum wage and collective bargaining integration provides useful inputs for studying wage policies, highlighting the role of the structure of each policy and the complementarities with social policies. However, the Grimshaw and Bosch (2013) and Grimshat et al. (2014) model has limitations in describing transits from one type of interaction to others. These problems are related to the nature of their analytical framework, focused on the description of countries and sectors using a typology for one point in time. Nonetheless, the contribution of these factors to understand the structure of wage policy seems to be insufficient for explaining how wage policy connections change through time. However, these limitations can be overcome in an intertemporal perspective, observing the evolution of wage policy and identifying different factors (institutions, actors, laws, policymaking, government characteristics, political processes) that allow institutional path departure. As will be discussed later, the political elements (ruling coalition linkage to trade unions, legislative participation and institutional legacies) have an impact on wage policymaking and could influence the transition from LME to CME-type wage policies.

The limitations of the industrial relations literature to explain changes in the structure of wage policies open the possibility to explore the connection between minimum wages and collective bargaining through a political economy perspective. Using a similar approach to other studies focused on the expansion of social policies, this research connects the discussion of wage policymaking to the political variables that explain changes in social policies. In particular, this study highlights the importance of looking at the linkages between ruling coalitions/parties and constituents. In the case of wage policymaking, this study focuses on the linkage between trade unions and ruling/coalitions parties. In doing so, this study explores in depth the different dimensions of this linkage, in particular the impact on wage policymaking of trade unions participation in government. Moreover, this study also challenges the electoral competition variable, directly addressing the importance of legislative participation in the current period (t). In that sense, the current legislative composition brings a better idea of the political muscle ruling coalitions have in the legislative. Therefore, whilst the linkage to trade unions agenda shows the preference for a combination of wage policies, legislative participation addresses the importance of having legislative majority. In addition, the legislative participation variable identifies if the majority has high (embedded) or low (not embedded) participation of trade unions representatives. Finally, this

study uses the institutional legacy variable addressed in the political economy and industrial relations literatures but broadening its scope. Consequently, this study connects the institutional legacies to a) the democratic transition, b) the importance of the EGI linked to the implementation of pro-market policies and c) the preferences governments have for integrated or separated social and wage policies.

1.3. Wage policy in Latin America from dictatorship to democracy: the cases of Chile and Uruguay

Wage policy in Latin America is an interesting area for applying these conceptual discussions. As has been stated by different studies and publications (ILO, 2014; ECLAC, 2014), the region has experienced a clear trend: minimum wages increased consistently in the 2000s until mid-2010s. This active use of minimum wages was the regional norm even during the financial crisis of 2008-2009. However, this clear pattern contrasts with the relatively low use or extension of collective bargaining. This is due to two structural issues: a) even though regional formal employment has increased, informal employment is still important and represents almost half of total employment; and b) small and medium size companies concentrate the largest amount of formal employment. Consequently, the space for extending the use and coverage of collective bargaining is still limited to medium/big size companies, a relatively small share of total employment in Latin America. Another constraint is the type of industrial relations that were substantially reformed during the neoliberal wave in the 1980s and 1990s. These reforms decreased the political muscle of trade unions and increased the capacity of employers (private and public) to shape labour policy making.

The cases of wage policies in Chile and Uruguay are clear examples of these debates. Throughout the democratisation process, Chile experienced a constant increase in minimum wages in real terms in the 1990s and 2000s. This active use of minimum wages was a motto for Concertación's governments even during two recessive scenarios when external shocks (1999 and 2009) generated negative GDP growth rates. Conversely, Chile did not experience changes in its collective bargaining coverage all through the same period. The institutional legacy for wage policies arrived via Pinochet's Plan Laboral in 1980 that was maintained in its core during the democratisation process. Plan Laboral limited collective bargaining at company level, introducing other groups –different than trade unions- that could negotiate

collective agreements. Pinochet's labour relations legacy also established a more rigid and bureaucratic system for wage negotiations. All these elements, during a dictatorial regime that persecuted trade unions, produced low levels of collective bargaining in the 1980s. However, during the democratisation process in the 1990s and 2000s, the collective bargaining coverage maintained similar levels to those observed during the dictatorship. After a brief peak at the beginning of the 1990s, collective bargaining decreased and stabilized at the 1980s levels.

The most important wage policy in Uruguay started in 1943 with Consejos de Salarios (Wage Councils), a collective bargaining instance institutionalised at economic sector level. Wage Councils expanded afterwards, including more sectors, but the political tensions at the end of the 1960s triggered the creation of a national minimum wage in 1969 as a way to limit Wage Councils and decrease trade unions' bargaining power. During the Uruguayan dictatorship (1973-1985) trade unions were banned, Wage Councils were deactivated and minimum wages followed a decreasing path in real terms. When democracy was reinstated in 1985, Wage Councils functioned again as an institutionalised bargaining mechanism that empowered trade unions participation. Nevertheless, when Uruguay implemented neoliberal policies at the beginning of the 1990s, Wage Councils were completely deactivated. On the other hand, minimum wages continued their decreasing trend in the 1980s and 1990s, becoming a marginal wage policy that covered less than 3% of formal work force in 2004 (Furtado, 2006). This situation changed with the arrival of Frente Amplio: wage policies were enforced and used actively. Wage Councils were reinstated with a new institutional framework that generated a mandatory call for wage negotiations every two years at all economic sectors in Uruguay. This policy approach generated a progressive expansion in the number of sectors that negotiated wages, including rural and domestic workers. Such active use of collective bargaining was replicated with minimum wages. Since December 2004, minimum wages experienced a constant increase that almost triplicated their level in real terms from 2005 to 2015 (ILO, 2015).

The cases of Chile and Uruguay also the importance of how wage policies are integrated. The discussion on the connections between wage policies is important to analyse the evolution of these policies in Uruguay and Chile during the democratic transition. Active and well integrated wage policies have an impact on poverty reduction, income protection and income

distribution, a clear goal in Latin America during the 2000s (ECLAC, 2010; ECLAC, 2014). However, if wage policies are less active or not properly articulated, their impact decreases. In the cases of Chile and Uruguay, there are clear similarities in terms of policy achievements for decreasing poverty but with different outcomes in terms of improving income distribution. Thus, whilst Uruguay under Frente Amplio was very successful in decreasing the Gini coefficient, Chile under Concertación's government was not. As several authors notice, the Chilean ineffectiveness in improving income distribution is clearly linked to the problems observed in the labour market (Marinakis and Velasco, 2006; Sehnbruch, 2012). In particular, those problems are related to the limited coverage of collective bargaining.

Recent debates about wage policy from the industrial relations perspective have not included the dynamics of changes from one type of wage policy integration to another. In part, this is the result of a more permanent institutional framework that characterises the industrial relations in more developed economies. This is also an outcome that emerges from the VoC discussion in those countries, where changes are gradual and sketched as an irreversible transition from CMEs towards LMEs. In that sense, what happened in countries like Uruguay and Chile shows that there are changes in collective bargaining and minimum wage policies that are explained by political dynamics. In that regard, this research points out that political processes can produce (or not) changes in terms of wage policies. The examples of Chile and Uruguay also show other elements linked to the importance of how the type of democratic transition shaped policymaking in Latin American countries and how the relationship between governments and trade unions and business elites influenced the policymaking of wage policy.

1.4. A model for understanding wage policy

For a better understanding of the wage policymaking I develop a model that explains why governments expand wage policies. This section discusses how the dependent variable (wage policies expansion) is influenced by three variables: the linkage of ruling coalitions/parties with trade unions, the legislative participation of ruling coalitions (independent variables) and institutional legacies (intervenient variable). Additionally, this segment formulates working hypotheses, refines the research questions, and includes the strategies used for data collection. This section finishes with a discussion on methodological implementation.

1.4.1. Variables

1.4.1.1. Dependent variable: wage policy expansion

The dependent variable that is analysed in this research is the expansion of wage policies – considering minimum wage and collective bargaining- in governments of the left, particularly during the post dictatorial periods. Additionally, expansion of wage policies is a compounded variable that includes policy coverage increments and the real increase of wages. The proportion of the policy coverage is measured in terms of total employment or formal employment, whilst the real increase of wages is measured through rises in real minimum wages and real average wages. As Lee and McAnn (2013) point out, there may be a trade-off between coverage and effective use of wage policy that can produce a deterioration in labour conditions and an increase of non compliance of wage policy at company level, particularly in small companies. However, Chile and Uruguay have been characterised as having highly formalised labour markets with a high ratio of wage policy legal compliance, including minimum wage (Marinakis et al, 2014; Velasquez, 2014). In that sense, despite there being an interesting theoretical debate on the legal enforcement of wage policies, the evidence that Chile and Uruguay provide on compliance of wage policies, suggests that the definition of the dependent variable is appropriate.

The literature of Latin American socioeconomic policies does not discuss wage policies as a complex variable. However, minimum wages and collective bargaining in the region have been analysed as part of labour reforms, including similar elements such as the coverage of workers and real increases in minimum and average wages. In that sense, the definition of wage expansion has links to the recent literature of wage policy connections. This research uses national statistics of minimum and average wages for collecting data on wage policies. In the case of collective bargaining, data of coverage and increments are collected through administrative records in the Ministries of Labour or Employment departments in charge of maintaining this information.

1.4.1.2. Independent variables: political party linkages, legislative participation and institutional legacies

This research argues that similarities for the use of political variables to explain the universalisation of social policies can also be used to explain wage policy expansion in Uruguay and Chile. Wage policy expansion (activation and coverage increase) is shaped by the strength of political party linkages with their constituency and the availability of a legislative majority, particularly in shaping the response of moderate left governments. However, I am redefining independent variables to connect them to the discussion on wage policymaking.

In particular, instead of Pribble's (2013) party character typology I directly connect the linkage between parties and trade unions in a variable I call "party linkage". According to Pribble (2013) constituency-coordinated parties are 'characterised by a strong linkage between base and party elites and reliance on a programmatic linkage mechanism' (p. 32). In the case of electoral-professional parties, the programmatic linkage is important but the ties between base and party elites are softer. For left-wing parties this means that their linkages to trade unions can be stronger or softer. Conversely, considering their closer relationship to business elites, right-wing parties have weaker or no linkage to trade union agendas. Therefore, the variable party linkage defines three types of parties based on their linkage to trade unions: "strong", "soft" and "weak/no" linkage. Consequently, a strong linkage party implies a higher willingness to implement trade union agendas on wage policy. On the other hand, soft linkage parties have a lower willingness to implement trade union agendas whilst weak/no linkage party have almost no willingness to have active policies.

The party linkage is characterised by three aspects. A first one is a measurement of the implementation of a party's agenda. In that sense, I analyse the party's wage policy agendas prior to forming a government (generally observed in the campaign proposals) and real agenda implementation. The second aspect is a measurement of trade-union-related government representatives in the Ministry of Labour. Both measurements denote how each government, with a type of party linkage, has a close/distant relationship to their trade union constituents' agenda. In strong linkage parties, the electoral agenda should be more pro-extension of wage policies, with a strong correspondence between the electoral agenda and policy implementation. In soft linkage governments, expansion of wage policies should be more moderate in terms of electoral proposals or could be less pro-expansion during policy implementation (compared to campaign proposals). In addition, weak/no linkage parties do

not include active wage policies in their electoral proposals and/or do not implement active wage policy-making once in government. On the other hand, strong linkage coalitions would have more trade union government representatives than soft linkage coalitions, whilst weak/no linkage coalitions would not have any trade union representatives. The third aspect would be the answers that government members will bring in terms of their commitment to trade-union agendas (higher in the case of soft linkage), how they balance their agendas taking into account the agendas of business elites (soft linkage parties) or how they dismiss trade union agendas to privilege business elites (weak/no linkage parties).

The variable, legislative participation, uses the legislative composition in each presidential period. In that sense, when government coalitions have a majority in the legislative it allows them to implement reforms without negotiation. Conversely, weaker legislative participation with no majority means that ruling coalitions need to negotiate wage policy implementation. However, I introduce a distinction between coalitions with a legislative majority. On the one hand, when constituencies have a significant legislative participation in the coalition, there is an embedded legislative majority. Therefore, when trade unions have a high legislative participation in the coalition, the coalition's majority will implement trade union agendas on wage policies if they have a strong linkage with trade unions. In a case where the coalition has a softer linkage with trade union agendas the final outcome for wage policies will depend on the participation of business elites or pro-business elite representatives in the legislative. On the other hand, when trade union legislative participation is lower, even though the coalition in power has a legislative majority, it does not necessarily mean the coalition will implement a trade union agenda. Furthermore, an expansion of wage policies will depend on the party linkage of the coalition. Hence, strong linkage parties will be more likely to expand wage policies whilst wage policies expansion will be less likely for soft linkage parties and very unlikely for weak/no linkage parties.

1.4.1.3. Intervening variable: institutional legacies

Institutional legacies are defined through one aspect highlighted by Pribble (2013) and the connections that this variable has with the other two independent variables. The first aspect is "the distribution of power within the policy sector" (p. 27) that according to Pribble (2013) policy legacies produce. In that sense, the coverage of collective bargaining will be used as a

proxy of distribution of power between trade unions and business elites. The second element is the linkage between institutional legacies for wage policy as part of a political and economic legacy. This is particularly important for connecting what happened with neoliberal reforms implemented prior to or during the democratic transition. In that sense, when neoliberal reforms were implemented during the dictatorship and the democratic transition was limited in terms of the legislative composition, there is a political infrastructure that affects legislative participation and party linkages. Furthermore, this institutional legacy also influences wage policy path dependence.

In particular, economic imperatives condition ruling coalitions' approach to wage policies and their tendency to privilege social policies over wage policies. Therefore, when institutional legacies are seen as economically successful, parties with softer linkages with trade unions tend to use economic growth imperatives as a deterrence to having more active wage policies. Furthermore, this policy approach is even more radical with governments with a weak/no linkage with the trade union agenda. Conversely, when institutional legacies are seen as having a negative impact on economic growth or even blamed for producing recessions, governments that have stronger linkages with trade unions do not use economic growth imperatives to limit the active use of wage policies. Finally, to analyse the impact of the economic growth imperative on wage policies the data is collected through interviews with policymakers and the analysis of legislative debates, public speeches, public and private governmental reports, and media reports/articles.

Finally, the economic imperatives associated with institutional legacies also shape the preference for using social policies –particularly policies for poverty reduction and income redistribution- instead of wage policies. Moreover, wage policy decision making is influenced by social policies in terms of magnitude –social policies coverage- and effectiveness –i.e. poverty reduction- that policymakers take into account when considering the option of expanding wage policies. Consequently, higher coverage and effectiveness of social policy reduces the willingness to activate wage policy. As is described in the literature, social policies can be measured through the coverage of poor workers subject to poverty reduction policies and the evolution of poverty and inequality indicators.

1.4.1.4. Relationship among variables

Even though the discussions on the political variables suggest that variables like legislative participation and the party linkage are mutually reinforcing in a two-by-two sense, there is also the possibility that they are correlated in a causal way. In particular, the discussion on the policymaking of social policies in Latin America points out of obtaining legislative majorities for introducing policies reforms, it is also highlighted that the party character defines the direction of reforms initiatives (Castiglioni, 2005; Spiller et al., 2008; Pribble, 2013). As analyses of the cases of Chile and Uruguay suggest, even though the legislative participation variable is useful to understand the capacity that centre-left and left-wing coalitions have to implement reforms that expand wage policy, the party linkage defined the strategy to implement reforms initiatives and the timing/length of legislative negotiations (Spiller et al., 2008; Silva, 2009; Bogliaccini, 2012; Pribble, 2013; Sehnbruch and Siavelis, 2014). In the case of Chile, the minority that Concertación faced in the Senate from 1990 to 2005, was seen more as an excuse rather than a limitation for the implementation of many reforms, including collective bargaining (Silva, 2009; Sehnbruch and Siavelis, 2014). On the contrary, the sustained legislative majority of Frente Amplio in Uruguay facilitated the implementation of socioeconomic reforms, such as the collective bargaining law and extension to informal workers (Loustanau, 2010; Bogliaccini, 2012).

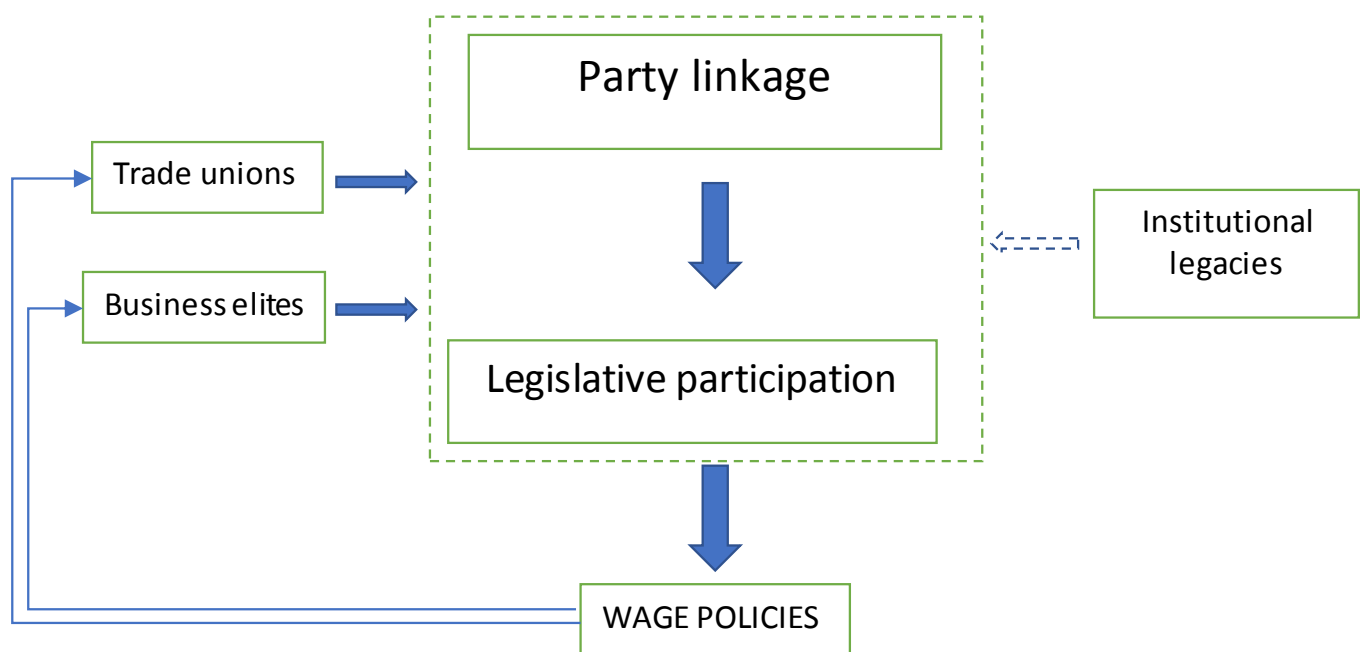
Even though both variables are important and mutually reinforcing, the party linkage of the coalition could play a more decisive role in how the legislative participation of the coalition allows an active use of wage policies. For example, if the coalition has a soft linkage with the trade union agendas, the wage policymaking could circumvent the implementation of collective bargaining reforms using the legislative minority as a justification, as it has been argued with collective bargaining reforms proposals in Chile (Sehnbruch, 2012; Sehnbruch and Siavelis, 2014). In addition, if the soft linkage coalition has a not-embedded majority, it would try to avoid collective bargaining reforms in order to prioritise other social policies, as it was the case with Bachelet first term in Chile (Pribble, 2013; Sehnbruch and Siavelis, 2014). In both cases (minority or not-embedded majority), soft linkage coalitions will try to compensate trade unions with active minimum wage policies. In these cases, even though legislative participation appears as a variable with similar explanatory power to the party

linkage variable, it also could be considered as a variable that functions as a necessary but not sufficient condition.

1.4.2. The Model

As Figure 1.4 shows, the model operates through the interaction of both independent variables. The ruling coalition linkage to trade union agendas sets their preference for wage policies. However, their preference for wage policies and the possibility to implement policy reforms will depend on a legislative majority. Both variables interact with institutional legacies, a variable that influences the possibility of achieving legislative majorities, the importance of an economic growth imperative for shaping wage policies and the preference for using social and wage policies as complementary or competitive policies.

Figure 1.4. Variables for a wage policies policymaking analytical model



The party linkage of the coalition plays a decisive role in how the legislative participation of the coalition allows an active use of wage policy. If the coalition has a soft linkage with trade union agendas, the policy-making of wage policies tends to circumvent the implementation of collective bargaining reforms using the legislative minority as a justification for not

exposing internal contradictions, to contain trade union pressure and to facilitate a more fluid relationship with business elites. In addition, if the soft linkage coalition has a not-embedded majority, it would try to avoid collective bargaining reforms in order to prioritise other social policies that are seen as less harmful to economic stability. This strategy will also produce a distance with trade unions and a closer relationship with business elites. In both cases (minority or not-embedded majority), soft linkage coalitions will try to compensate trade unions with active minimum wage policies. On the other hand, if a coalition has a strong linkage with trade union agendas, its legislative majority, particularly if it is embedded, speeds up the pace of reforms, generating a closer relationship with trade unions and a protective distance from the influence of business elites. Finally, these interactions generate feedback through trade unions and business elites' demands on the ruling coalition and the legislative arena.

For the analysis of wage policymaking, the combination of the party linkage of a ruling coalition and its legislative representation generates a pattern of wage policies. As presented in table 1.3, the wage policy outcomes are linked to the strength of ruling coalitions' linkage to trade union agendas (rows) and the type of legislative majority (columns) these coalitions have. Thus, the axis of the ruling coalitions' linkage to the trade union agenda shows the interest of these coalitions in activating both collective bargaining and the minimum wage. The weaker/no linkage coalition is characterised by the great distance between the ruling coalition and trade unions, resulting in a preference for passive wage policies. In addition, the soft linkage of the ruling coalition shows a preference for activating minimum wages but containing the active use of collective bargaining. Finally, the strong linkage refers to the ruling coalition's preference for the active use of both wage policies.

Table 1.3. Typology of wage policies policymaking based on the linkage to trade unions' agenda and legislative participation of the coalition

Party linkage/Legislative participation of the coalition	No legislative majority	Not embedded legislative majority	Embedded legislative majority
Weak or no linkage	Restrictive use of both wage policies a/	Restrictive use of both wage policies a/	Unlikely scenario b/
Soft linkage	Limited collective bargaining extension	Limited collective bargaining extension	Undefined outcome c/
Strong linkage	Efforts to activate both policies	Efforts to activate both policies (higher likelihood)	Active use of wage policies

a/ These outcomes are subject to the agreements about wage policies during the democratic transition.

b/ It is very unlikely that trade unions will be embedded in a legislative majority of right-wing parties/coalitions.

c/ The final outcome will depend on the embeddedness of business elites in the coalition. At the same time, a high legislative participation of trade unions seem to be more likely in a coalition with a stronger linkage.

On the other hand, the axis of legislative participation shows that strength in the legislative does not change the wage policy priorities of a coalition but defines its possible strategies. Accordingly, in the case of weak/no linkage coalitions with a legislative minority they will follow a passive use of wage policies whilst in the case of a not-embedded majority these coalitions will try to implement or reinforce pro-business collective bargaining reforms with passive minimum wages. In addition, soft linkage coalitions will implement different strategies for the combination of active minimum wages and passive collective bargaining.

Therefore, when having a legislative minority these coalitions will use their minoritarian position as a pretext to not implement collective bargaining reforms. However, when having not-embedded majority, soft linkage coalitions could decide either to argue that they will prioritise other policy reforms or to implement more moderate collective agreements reform. In the case of an embedded majority, the final outcome is undefined because the implementation of trade union agendas for collective bargaining will depend on the embeddedness of business elites in the soft linkage ruling coalition. Finally, the axis of legislative participation shows how likely the extension of wage policies for strong linkage ruling coalitions is. Therefore, whilst a legislative minority implies a more difficult path to activating both minimum wages and collective bargaining, an embedded majority makes the extension of wage policies through pro-trade union collective bargaining reforms and active minimum wages totally feasible.

1.4.3. Hypotheses

The discussion of the dynamics of moderate left governments' wage policies in Chile and Uruguay during the post dictatorship period highlights the relevance of different elements that shape wage policy-making. Thus, these discussions arrive at several hypotheses:

A. Wage policy expansion depends on the linkage of political parties to trade union agendas:

Strong linkage governments are more likely to implement an expansionist wage policy agenda than soft linkage and weak/linkage governments.

A.1. Wage policies expansion as a compromise:

When government's linkage with trade union agendas is stronger, wage policy expansion is more likely.

A.2. Openness to the agendas of business elites:

When the agendas of business elites can penetrate wage policy-making in governments, wage policy expansion is less likely.

A.3. Expanding wage policies to informal workers:

Constituency-coordinated governments are more likely to expand wage policies beyond formal workers agendas.

B. An embedded legislative majority facilitates wage policy expansion:

Governments with an embedded legislative are more likely to expand wage policies than governments that have a legislative minority or a not-embedded legislative majority.

B.1. In the context of an embedded legislative majority, governments with a strong linkage to trade unions agendas are more likely to expand wage policies.

B.2. In a context of a legislative minority or a not-embedded legislative majority, governments with a soft linkage to trade union agendas are more likely to include the agendas of business elites in wage policy-making.

B.3. In any context of legislative participation, governments with weak/no linkage to trade union agendas are more likely to include the agendas of business elites in wage policy-making.

C. If institutional legacies have been seen as limiting wage policies, governments with a strong linkage to trade union agendas are more likely to implement reforms for wage policy expansion.

C.1. If levels of minimum wages and collective bargaining coverage are low, governments with a strong linkage to trade union agendas are more likely to promote wage policy reforms.

C.2. Governments with a strong linkage to trade union agendas are more likely to privilege trade union wage policy institutional reference.

C.3. Governments with a strong linkage to trade union agendas are less likely to use economic imperatives as a deterrence to the extension of wage policies.

C.4. Governments with a strong linkage to trade union agendas are more likely to actively use both social and wage policies.

1.4.4. Research design: methodology, data collection and analytical approach

In order to explore the proposed hypotheses, this research project will use a qualitative approach based on the process-tracing method. Using this method, this study identifies the links, trajectories and the causal chains and mechanisms between the independent, intervening and dependent variables (George and Bennett, 2005; Fairfield, 2015; Pedersen and Beach, 2016). The evidence about the context, mechanisms, sequences and dynamic relationships of the variables will be initially drawn from the examination and tracing of wage policy reforms and institutional implementations in Uruguay during the 2000s and in Chile during the 1990s and 2000s. From the laws and policy debates (that could have ended in changes, or not) I identify the legislative proposals, the proponents and the reforms made to them, and different governmental initiatives that have affected wage policy expansion. Even though this research does not use a stricter probabilistic approach, it contemplates the logic of contrasting different concurrent hypotheses that could explain the course of events analysed. Furthermore, the data available serves to support the higher probability that one hypothesis could have over others to explain the pattern of events. The data is obtained from interviews with policymakers and actors, the National Assembly archives, Ministry of Labour administrative records, unofficial records of meetings and national statistics on coverage/rise of wage policy instruments.

This study uses open-ended interviews, conducted by the author, with government officials (former and current), legislators, business group executives and trade union representatives, at national and sector levels (domestic service). The questionnaire used in the interviews follows the same structure for all respondents but with nuances related to the characteristics of the respondent (policymaker, advisor, trade union or business representative). The questionnaire is focused on collecting information related to the influence of the variables analysed and their impact in the wage policy-making of Chile and Uruguay. The questionnaire was given in Spanish (Annex I).

In the case of interviews with those involved in the creation, approval and implementation of the reforms, the questions attempt to gain general reflections on the strategy behind the policy-making process combined with technical detail. I started by asking about the motivations behind the reforms on collective bargaining or during the negotiations for minimum wages. Then, the questionnaire shifts to ask about potential challenges or opposition (and support) that arose during the policy-making process. Following this, the

questionnaire also investigates the length of the process, not only in terms of timing, but also in the stages that composed it. I enquired into who the opponents to initiatives were, and how they were dealt with. I also asked about those who supported the reforms and why. Moreover, I asked the participant's opinions on the impact of other social policies and economic imperatives for the proposed reforms. Likewise, I asked about the importance of the agendas of trade unions and business elites in policy-making and how wage policies were discussed in the government, looking particularly at the Ministry of Labour-Ministry of Finance relationship in this debate. Additionally, I asked interviewees about their decision making for expanding wage policy to domestic workers, and the rationale and problems they faced in their policy implementation.

In the case of business executives and trade union officials, the questions were initially directed to their opinion regarding the reforms; if they have been affected or impacted by them; if any reform had benefited them; if there had been a change in their strategic approach to wage policy-making, and if the shift was motivated by governmental reforms. I also asked if they had had formal or informal communication with their counterparts and political parties, and if they had participated in meetings with the government. The questions also attempted to identify differences in their impressions between different governments, particularly evaluating wage policy discussions during the 1990s and 2000s. For the analysis of the variables at sector level (domestic service), the interviews were similar but also included asking interviewees for their impressions on the policy impacts in their sector, and strategies used by employers and domestic trade unions during policy implementation.

Further to the interviews, I reviewed the news coverage (newspapers and specialised magazine's reports) to capture the sequence of political expressions and reactions of business and trade union representatives and the responses to the government (strategy) during the policy-making process. This inference process also helped me to identify empirical intertemporal interactions and relations of the variables, the reform strategy applied by the government and the means of exchange for policy approval between the executive and the legislators. Moreover, this method helped me to identify at which stage of the policy-making process wage policy expansion was mainly triggered (from formulation to implementation), in order to test the hypotheses elaborated in the previous section and determine if the changes are related to the independent and intervenient variables.

1.5. Thesis structure

In order to discuss the analytical framework used for analysing wage policy expansion in Chile and Uruguay, the following chapters are organised as follows: Chapter 2 provides a theoretical discussion of several literature debates related to this research. Chapter 3 focuses on how I reframed the institutional legacy variable, including the impact of democratic transitions, the relevance of EGI and the connection between social policy and wage policy. The discussions on the variables party linkage and legislative participation appear in Chapters 4 and 5, respectively, whilst the model for analysing wage policy is developed in Chapter 6 using the cases of Chile and Uruguay. Finally, Chapter 7 discusses the conclusions of this research.

Chapter 2. Wage policymaking: a theoretical discussion on the political economy of wage policy in Chile and Uruguay.

2.1. Introduction: Key discussions on wage policies in Chile and Uruguay

The evolution of wage policies in Chile and Uruguay can be related to several key issues that will be discussed throughout this literature review chapter. The first element is the policymaking conditions shaped by the democratisation process, an important antecedent element for wage policymaking in the 2000s. Several authors note that the type of democratic transition defines the political arenas and institutions, the dynamics among actors and the capacity of such actors to exert veto power to limit reforms (Gamarra, 1994; Linz and Stepan, 1996; Oxhorn and Ducatenzeiler, 1998; Weyland, 2004; Kingstone, 2011). As is discussed in the following sections, the comparatively higher political support for Chile's military regime, allowed it to impose the constitutional legacy and gave its supporters in Parliament decisive veto power. Therefore, Chile had a democratic transition that blocked crucial reforms of Pinochet's socioeconomic legacy. In the Uruguayan case, the feeble political support of the military regime facilitated a fast implementation of a democratic habitus for institutions and actors. In that sense, the Uruguayan case was that of a democratic transition, where the rule of the game allowed parties with parliamentary majorities to implement policy reform (Luna, 2014). Paradoxically, Uruguay and Chile's policymaking processes in democracy have been considered the most stable in the region (Spiller et al., 2008). However, this stability derived from two different democratisation processes: forced negotiations and high veto power in Chile, and a logic of democratic majorities in Uruguay (Linz and Stepan, 1996; Campero, 2007). Finally, the democratic transition processes in both countries had a diverse impact on the wage policy path dependence. While in Chile the transition restricted the debate on wage policy and reinforced the institutional legacy of the military regime (Campero, 2007; Cook, 2007; Sehnbruch, 2012), the Uruguayan transition allowed path disruptions of wage policy during democracy (Luna, 2007; Buchanan, 2008; Mazzuchi, 2009).

A second element related to this discussion is how democratisation processes can help or impede reforms from Liberal Market Economies (LME) to Coordinated Market Economies

(CME) policies. As is discussed in the literature of varieties of capitalism, the predominance of LME-type policies and institutions from the 1980s and 1990s has shaped policy-making path dependence processes, including in Latin American countries (Schneider, 2009; Bogliaccini, 2012). However, Schneider observes that beyond the differentiation between LMEs and CMEs, Latin America is characterised by Hierarchical Market Economies (HMEs), where business elites are highly influential and labour policies, trade unions and employment relations are deprived and atomistic. On the contrary, analysing Chile and Uruguay tax and employment policymaking, Bogliaccini (2012) finds that both countries are clear examples of LME (Chile) and CME (Uruguay) policymaking processes, consolidated by left governments. Furthermore, the author notes that Chile is an exception in Latin America, a region where countries are more Statist Coordinated Economies (SCEs). However, little has been said in terms of how wage policy expansion is a key expression of path departure shaped by the democratic transition, particularly in how minimum wage and collective bargaining policies are interconnected. Likewise, another important issue in wage policy path departure or path dependency is how trade unions and business elites have interacted with left-wing or centre-left wing governments during the democratisation process in shaping wage policies.

A third element is the importance of political variables for wage policy interconnection. The general debate has been revolving on the adequacy of minimum wage and collective bargaining as separate or integrated policies (Grimshaw and Bosch, 2013; Grimshaw et al., 2014; Bosch, 2015) or on how diverse types of capitalist societies –liberal or coordinated– shape industrial relations and the way labour institutions and policies function (Hall and Soskice, 2001; Crouch, 2005; Hall and Gingerich, 2009; Hall and Thelen, 2009; Coates, 2014). Despite their richness, these debates do not include the impact of political variables for explaining changes in wage policy interconnection. The discussion on wage policies from the industrial relations perspective also has deficits on the type of relationships trade unions and business elites have with political parties and governments. In that sense, Chile and Uruguay bring interesting cases for exploring the incidence of political variables in a new field of discussion such as wage policy interconnections and expansion.

The fourth element is the impact of leftist parties in wage policymaking. The presence of left-wing or centre-left wing parties or coalitions in Latin American governments during the 2000s is correlated to the pre-eminence of progressive socioeconomic policies in this period. Chile

and Uruguay had moderate left governments in the 2000s that implemented labour policies with a focus on enforcing labour rights. However, one important difference was the absence of collective bargaining reforms in Chile, whilst in Uruguay the coming of Frente Amplio to government brought with it an agenda that prioritised collective bargaining changes. Such dissimilarities could be related to the nature of political parties and the existence of political competition, as have been analysed in social policies universalisation processes (Garay, 2010; Pribble, 2013). Even though the diminished political capacity of trade unions to articulate their agendas in the 1980s and 1990s has been studied and the link of trade unions and political parties' agendas during the rise of the left in Argentina, Brazil and Uruguay has been explored, little has been said about leftist parties' characteristics and trade unions in terms of wage policy connections or how important the context of political competition is in order to make trade union agendas feasible.

A fifth element is how actors involved in wage policymaking exert their power. As is discussed later, the concomitance between the democratic transition and the neoliberal ethos during the 1980s and 1990s produced an unbalanced distribution of power between trade unions and business elites in Latin America (Cook, 1998; Collier and Collier, 2002; Cook, 2007). However, the ability to exert power at country level depended on the institutional relations and internal organisation that both actors had in each country. Trade unions in Latin America had different political relationships and internal organisations for opposing liberal reforms in the regional labour market (Weeks, 1999; Murillo, 2000; Murillo, 2001; Madrid, 2003; Cook, 2007; Roberts, 2013). Likewise, business elites had a differentiated ability to implement their agenda related to their organisation and links to political parties and governments (Fairfield, 2010; Fairfield, 2015a; Fairfield, 2015b). In that sense, the literature on instrumental and structural power has been focused on actors' influence in policymaking, particularly on how business elites have executed their agendas (Schneider, 2008; Karcher and Schneider, 2012; Fairfield, 2015a). Nevertheless, little has been discussed about how both actors intervene using their power resources in terms of wage policy-making (Schneider, 2013). Furthermore, there is a lack of analysis about how the participation of trade unions in government and the legislative branches of a ruling left-wing coalition improve their ability to implement their agenda.

A sixth and final discussion are other elements that influence wage policies at national and occupational levels. The first element is the influence of economic imperatives on wage policy-making. Furthermore, the general discussion on wage policies revolves around their possible negative economic effects, conditioning the active use of wage policies in a general framework of pro-market policy implementation. Moreover, this economic ethos coincided with a generalised democratic transition in Latin America in the 1980s, conditioning the path dependence of passive wage policies in the region. However, the arrival of left governments in the 2000s and their different wage policy implementation highlights possible patterns of path departure linked to the level of influence of economic imperatives in left-wing governments. A second element is linked to the complementarity between social and wage policies. The literature on wage policies interconnection (Grimshaw and Bosch, 2013; Grimshaw et al., 2014) reveals a more complex policy-making process where preferences for wage policies could collide with preferences for social policies. In addition, the literature on social policies, particularly in Latin America, points out the importance of electoral competition and the linkage between trade unions and left-wing parties to have more active social policies (Austen-Smith, 2000; Iversen and Soskice, 2006; Pribble, 2013; Garay, 2017). However, there is a lack of analysis of the complementarity between wage policies and social policies in Latin America and how the decision making of using both policies is influenced by the economic imperatives of left-wing coalitions. Finally, the expansion of wage policies has also included informal workers such as domestic workers, contradicting social and wage policies literature that highlights class conflicts in policy implementation between insiders (middle working class) and outsiders (informal workers).

Finally, these discussions arrive to a proposition for analysing wage policy that includes three political variables as showed in Chapter 1 and discussed in depth in Chapters 3 to 6. In particular, this chapter includes a brief discussion on the importance of a more general discussion of institutional legacies, the relevance of the linkage of ruling coalitions to trade union agendas and the existence of legislative majorities and how these variables interact in a model for analysing wage policy.

In order to organise an appropriate framework for studying wage policy expansion in Chile and Uruguay, the next sections of this chapter are constructed as follows: section 2.2. will provide an extensive theoretical debate about the institutional framework of wage policies

from the industrial relations perspective, whilst section 2.3. discusses policy-making in Latin America in the democratic transition. The theoretical debates on wage policies in Latin America, particularly in Chile and Uruguay, are discussed in section 2.4. Finally, section 2.5. briefly introduces the variables that are used for analysing wage policy.

2.2. Institutional framework and wage policies from the industrial relations perspective

The discussions on industrial relations policy-making have pointed out the relevance of capitalist systems for the policy-making and institutional structure of labour markets, particularly for wage policies. However, the discussion on capitalist systems, particularly from the varieties of capitalism approach, has been criticised for limiting the possibility of institutional changes in industrial relations. Therefore, this section discusses alternatives for explaining changes in industrial relations using path dependence theory. The discussion also addresses the importance of considering minimum wages and collective bargaining as interconnected wage policies.

2.2.1. A discussion on comparative capitalism

This section discusses the political limitation of the varieties of capitalism (VoC) analytical approach. As many authors' have noted, VoC conceals the importance of different elements, particularly the influence of trade unions and the possibility of policy path departure through political action. This discussion is relevant for the argument that alternative political processes, such as the arrival of left-wing governments in Latin America in the 2000s, can challenge VoC's relatively stable institutional framework.

The discussion on comparative capitalism and the way states, employers and trade unions relate in a capitalist socioeconomic structure has evolved in the past decades. This debate has stressed the impact of the state over economic sectors (Shonfield, 1965; Cohen, 1977; Sacks, 1980) or the states' ability to negotiate with trade unions and employers working conditions, wages and socioeconomic policies (Schmitter and Lehmbruch, 1979; Berger, 1981; Alvarez et al., 1991). A third approach studied different capitalisms as complex social systems where firms reorganise production at national, sector or regional levels facing changes in technology (Streeck and Schmitter, 1986; Nelson, 1993; Whitley, 1999). However, these lines of comparative analysis have problems explaining relationships between social actors and

institutions in a period where investments and production systems are predominantly led by private decision making (Hall, 1999; Soskice, 1999; Hall and Soskice, 2001). Consequently, since the 2000s the varieties of capitalism approach has pointed out the interactions between social actors, states, firms and formal and informal institutions in a context of growing trade and multinational investment (Hall and Soskice, 2001; Thelen, 2001; Hall and Soskice, 2004; Hall and Gingerich, 2009; Hall and Thelen, 2009; Dibben and Williams, 2012).

VoC distinguishes important relational and institutional differences between Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs). In LMEs market institutions and competition frame the internal and external interactions of firms. Conversely, in CMEs non-market relationships are especially important for the strategic interaction among firms and other actors (Hall and Soskice, 2001; Thelen, 2001; Hall and Soskice, 2004; Hall and Gingerich, 2009). Furthermore, VoC stresses the particular scheme of institutions and social interactions that allows firms to solve coordination problems (Hall and Soskice, 2001; Hall and Soskice, 2004). LMEs rely on markets and on a hierarchical firms' structure that shape economic actors' relationships and coordination responses. In this context, labour markets have asymmetrical labour relations, characterised by employers' discretionary power and low levels of collective agreements. On the other hand, CMEs embody a nonmarket coordination scheme that relies on collaborative relationships. In CMEs the structure of power within firms is less vertical due to more institutionalised negotiations, allowing relatively higher levels of collective bargaining, skill formation investment, and employers coordination (Hall and Soskice, 2001; Hall and Soskice, 2004; Hall and Gingerich, 2009).

Employers' interests and companies' interactions within the institutional framework are the key elements that differentiate VoC from previous comparative capitalist narratives. As Hall and Thelen (2009) state, "these two theoretical claims generate a specific set of propositions about institutional stability" (p. 11). Even though VoC continues with the tradition of comparative capitalism, VoC's theoretical distinctive pillars narrow down VoC's analytical framework. Several authors have questioned VoC's capacity to understand and explain institutional change; the inadequacy of having a definition of LMEs and CMEs in a period of prevalent liberalisation processes; the disputed coordination capacity of CMEs that lies in questionable trustful relationships; and a restrictive functionalist approach that diminishes the importance of socio-political actors -trade unions in particular- in the dynamics of

institutional change (Blyth, 2003; Goodin, 2003; Howell, 2003; Watson, 2003; Crouch and Farrell, 2004; Coates, 2005; Crouch, 2005; Nölke et al., 2013).

VoC is particularly feeble in the discussion of the role of workers organisations in policy-making, and the aseptic power relationship that allows institutional stability. Howell (2003) and Coates (2005) observe that the VoC's claimed influence of firms in the institutional framework conceals trade unions capacity to influence both the policy-making and the institutional structures. Furthermore, Howell (2003), Streek (2011) and Coates (2005, 2015) also argue that in VoC political conflicts are not part of the dynamics of institutional change, giving a dubious institutional stability to VoC's analytical framework. Additionally, Crouch and Farrell (2004) and Teague (2009) highlight VoC's restricted scheme of path dependence that does not have an endogenous capacity to explain institutional change. According to Coates (2015) the pattern of institutional stability that VoC applies, in a context of economic liberalisation and recent systemic crisis, implies a necessity to use different analytical tools.

The theoretical discussion on comparing capitalism shows the importance of several elements. It highlights the role of actors and institutions involved in the policy-making of socioeconomic policies, the need to consider the socioeconomic matrix of each country, the significance of institutional complementarities, and the differences in coordination responses (Hall and Soskice, 2001; Thelen, 2001; Hall and Soskice, 2004; Hall and Gingerich, 2009). Lately, VoC has been the dominant force of the comparing capitalism debate bringing an interesting view of the role of firms and an operational typology of capitalist regimes in developed countries (Hall and Thelen, 2009; Dibben and Williams, 2012).

The discussion of the strategies and policies of different VoC also addresses the socioeconomic and institutional contexts, especially the structure of the welfare state that expresses a preference for pro-capital or pro-labour policies (Stockhammer and Onaran, 2012; Lissowska, 2014; Mollo and Amado 2015). Lavoie and Stockhammer (2012) highlight the importance of the strategies and policies related to socioeconomic institutions (including wage institutions) and how the policymaking success depends on the socioeconomic context. Lavoie and Stockhammer observe that the economic orientation of each country and its labour institutions have an impact on the share of capital and wages in the national income. The authors use a double entry matrix with a distributional scheme of pro-capital or pro-

labour policies, defined in this way as the weakening (pro-capital) or strengthening (pro-labour) of the welfare state, including the minimum wage and collective bargaining. These policy orientations lead to clear trends in real wages, the wage share in the national income, and salary dispersion, having an impact in the characteristic of economic growth and income distribution (Stockhammer and Onaran, 2013; Caldentey and Vernengo, 2013; Lissowska, 2014).

Lavoie and Stockhammer (2012) also highlight that when the distributional policy direction serves the same socioeconomic orientation, the result will have greater impact. Thus, if the emphasis of public policy is pro-capital in a productive context pro-capital, revenue and profits for capital owners will augment, resulting in an increase of capital share in the national income (Lavoie and Stockhammer, 2012; Stockhammer and Onaran, 2013). The same apply in the case of the pro-labour policies in an economic pro-labour dynamic, with an increase of the wage share in the national income (Stockhammer and Onaran, 2012; Onaran and Galanis, 2013). However, in the cases where policy initiatives are oriented in a different productive direction, operate an opposite effect to that intended with distributional policies. This mismatch implies a non-satisfactory performance of distributional policies that could drive to a change of the economic or distributive policy orientation (Lavoie and Stockhammer, 2012; Onaran and Galanis, 2013; Stockhammer and Onaran, 2013).

This theoretical scheme has problems associated with the static view under which it operates and the premises that hide the macroeconomic dynamics of consumption and investment (Correa, 2015; Dos Santos, 2015). In particular, this approach does not introduce the obvious question about what makes that a country might be conceptualized in one way or another. Countries may eventually go through periods of varying pro-capital or pro-labour orientations, similarly as they may experience transitions from LMEs to CMEs or vice versa (Howell, 2003). There are institutional discrete changes (England and Chile in the 1980s) or continuous (Uruguay in the 1990s), with sub-periods when the two orientations coexist. In some cases, the institutional framework is maintained with an inertia, while others experience significant changes in policy direction over short periods.

Despite the discussions focused on the institutional and socioeconomic differences between LMEs and CMEs, there are also important debates that recognise other alternative typologies

of VoC. Accordingly, several studies point out differences in the economic structure, labour force and institutional framework observed in countries of Europe -particularly between Southern and Northern European countries-, Asia and other regions (Pontusson, 2005; Amable, 2007; Hancke et al., 2007; Schneider, 2009; Schneider and Soskice, 2009; Dibben and Williams, 2012). Moreover, these differences are related to the variations of union density, coverage of collective bargaining, labour informality, structure of the welfare state and the coordination response among firms.

For Latin American countries in particular, Schneider and Soskice (2009) define a “hierarchical” VoC typology, characterised by the limited redistributive capability, low levels of both union density and collective bargaining coverage and high employment informality in the region. Moreover, these authors claim that “despite the shifts away from import-substituting industrialization (ISI) and authoritarian rule, neither of the two advanced country models (liberal or coordinated) fits Latin American political economies” (2009:32). As a consequence, the use of the hierarchical model recognises that Latin American capitalist structures have limitations for coordination response among firms, the welfare state capability and the difficulties for labour policies to operate in formal labour markets.

Even though Schneider and Soskice (2009) typology provide an operational characterisation that highlights several structural characteristics of the capitalist systems in Latin America it also has several limitations. As Bogliaccini (2012) points out, the hierarchical model is defined through the analysis focused on the 1990s which is static because it does not address the changes that several countries experienced in the 2000s when several reforms occurred. Moreover, Bogliaccini argues that the intensity of these reforms improved social policies, increased labour formalisation and generated the possibility of many countries in the region to transit towards LMEs or CMEs-type structures. In that sense, this author uses the case of Chile as an example of the former and Uruguay of the latter.

Despite VoC analytical framework has recently been applied to non-developed countries with informal labour markets (Schneider, 2009; Bogliaccini, 2012; Dibben and Williams, 2012), the VoC narrative seems to be insufficient to explain the role of trade unions as agents of change of policy-making and institutions. Moreover, this problem is more complex when trying to understand transitions from LMEs to CMEs and viceversa, as a consequence of policy reforms.

These weaknesses are evident in the relationship between political processes –particularly the arrival of leftist coalitions in Latin America in the 2000s- and labour policies (Bogliaccini, 2012). In that sense, in the next section path dependence theory is discussed in order to include political elements that explain path departures in industrial relations.

2.2.2. Path dependency theory

In this section I use path dependency theory as a tool to illustrate that institutional changes follow specific trajectories and are not one off experiments. Path dependency particularly stresses the existence of a “strong” version that generates lock-ins that impede path departure. On the contrary, a “milder” version of path dependency explains how mindful action of political and social actors, along with critical junctures, allow path departure. Therefore, this debate gives solid arguments for the possibility of institutional changes from LMEs to CMEs-type policy through political processes in Latin America.

The literature on institutional changes discusses the effect of path dependency on the evolution of institutions, recognising an inertial pattern over time (Pierson, 2000; Thelen, 2002; Crouch and Farrell, 2004; Ebbinghaus, 2005; Hall and Thelen, 2009; Teague, 2009; Betzser et al., 2015). Path dependency theory suggests that institutional and policy-making processes are influenced by past events, shaping the interactions between institutions and actors, and framing the responses to new contingencies (Pierson, 2000; Teague, 2009). Beyond the reasons and motivations for creating institutions, what defines the institutional path is the succession of early events (Crouch and Farrell, 2004). Other elements that define path dependency are the self-reinforcing processes that produce incremental returns, and costs related to institutional changes (Pierson, 2000; Crouch and Farrell, 2004; Ebbinghaus, 2005).

Teague (2009) defines two types of path dependency that differ in their endogenous capacity to change institutions. In what Teague calls ‘strong version’ (p. 500) of path dependency, actors and institutions have behavioural patterns that are difficult to change as a consequence of an enrooted institutional presence. In the strong version, the costs of institutional change are high due to lock-ins (functional, cognitive and political) that make people’s capacity to contemplate institutional alternatives difficult (Grabher, 1993; Crouch and Farrell, 2004; Ebbinghaus, 2005; Betzser et al., 2015). Furthermore, Crouch (2005) and

Pierson (2000) observe that the self-reinforcing process increases the cost of changing institutions at a level that people's behaviour is totally constrained to a way of learning, coordinating and adapting.

The other path dependency type is a milder version that also recognises the importance of past events but allows endogenous changes (Crouch and Farrell, 2004; Ebbinghaus, 2005). Teague (2009) observes two elements that may trigger a pathway departure: 'mindful action' (p. 500) and critical junctures. The former implies conscious activities of actors that can lead to new paths (Garud and Karnoe, 2001) whilst in the latter the existence of critical moments or junctures motivate the creation of new or different institutional alternatives (Thelen, 2002). These elements are essential parts of a socioeconomic system that functions differently compared to the logic of order that prevails in VoC (Crouch and Farrell, 2004). Ebbinghaus (2005) notices that critical junctures can lead to three different scenarios. The first is path stabilisation, where institutions mildly adapt to the juncture, maintaining their core structure. The second is path departure, where institutions experience gradual changes and institutional arrangements are partially modified. Finally, path switching implies the end of the self-reinforcement institutional mechanisms, permitting the emergence of new institutions. Therefore, the softer version of path dependency recognises the important role of actors in shaping institutions, allowing endogenous change (Teague, 2009).

Path dependence theory facilitates important analytical elements to study industrial relations policies, including wage policies. The "milder" version of path dependence highlights the existence of mindful actions that are linked to social actors and political processes (Crouch and Farrell, 2004; Ebbinghaus, 2005). Likewise, this version also denotes different responses to critical junctures (Teague, 2009). Moreover, several Latin American countries faced significant economic crises at the end of the 1990s and beginning of the 2000s that triggered political changes and policy path departures, showing evidence of path departure. In that sense, path dependence theory reveals alternative approaches to the criticised institutional stability that lies in VoC, emphasising the dynamics of endogenous change that allows transitions from LMEs-type to CMEs-type policies. Conversely, in its "strong" version, path dependence also shows the importance of institutional lock-ins that reinforce path dependence, particularly in LMEs-type policy structures (Teague, 2009). As is discussed in the next sections, constitutional lock-ins established during the democratic transition have

contributed to path dependence of wage policies in Chile (Linz and Stepan, 1996; Buchanan, 2008). Finally, path dependence stresses the conditions –critical junctures, character of political processes and governments, type of democratic transitions- that allow path departure. The incidence of these elements in the form of the ruling coalition linkage to trade unions, legislative participation and policy legacies are also discussed in section 2.5. and chapters 3 to 6.

2.2.3. A discussion on wage policy complementarities

This section shows how wage policies are shaped by institutional legacies and elements like social dialogue and other social policies. The recent debate on the interconnection between minimum wages and collective bargaining highlights the importance of analysing these policies as a tandem with a high impact on poverty reduction and income distribution. This literature also shows the impact of institutional legacies on actors' relationships and policy policymaking, and how low levels of social dialogue and the success of other social policies can limit the expansion of wage policies.

Wage policies –mainly minimum wages and collective bargaining- are a subgroup of labour policies that are a key part of discussions in industrial relations and economics. Traditionally, both instruments have been seen as part of different sets of policy goals. Minimum wages have been more oriented towards poverty alleviation and focused on the working poor, and collective bargaining has been used as a tool for income distribution in the labour market, with a higher impact on lower-middle and middle classes (Card and Krueger, 1995; Freeman, 1996; Eyraud and Saget, 2005; Kaufmann, 2010; Hayter and Weinberg, 2011; Bosch, 2015). Additionally, the use and structure of both policies have also been related to the type of capitalist structure. Whilst minimum wages and collective bargaining tend to be more active and have a higher coverage in CMEs, the opposite is true in LMEs (Gautié et al., 2010; Grimshaw and Bosch, 2013; Grimshaw et al., 2014, Hayter and Weinberg, 2011; Bosch, 2015). Consequently, how extended the coverage of each wage policy is, is generally seen as an outcome linked to the capitalist structure (Gautié et al., 2010; Grimshaw and Bosch, 2013). Finally, as Grimshaw and Bosch (2013) argue, the value of collective bargaining and minimum wage as policy tools depends on the connection between each other.

The connection between minimum wages and collective bargaining is a relatively recent issue in the literature of labour policies (Grimshaw and Bosch, 2013; Grimshaw et al., 2014; Garnero et al., 2014). Grimshaw and Bosch (2013) and Grimshaw et al. (2014) claim that combinations of both instruments generate different outcomes in terms of income protection and income distribution. Well integrated and active minimum wages and collective bargaining policies are more successful in protecting incomes at the bottom of the pay scale and generating spill over effects all over the pay scale. On the contrary, less integrated wage policies produce lower effects on income protection and income distribution. Furthermore, these effects tend to be inexistent when both policies are totally disconnected. In conclusion, the type of collective bargaining and minimum wage integration has a key importance for poverty reduction, income distribution and policy design (Grimshaw et al., 2014; Garnero et al., 2014; Bosch, 2015)

Grimshaw et al. (2013) observe three elements that are relevant to defining the structure of wage policies. The institutional framework -that includes labour laws and labour institutions- shapes the setting of both policies. Depending on the country, collective bargaining is implemented at company or sector levels, establishing wage settings at inter- or intra-industry levels or for specific occupations (Hayter and Weinberg, 2011; Bosch, 2015; Garnero et al., 2015). Minimum wages also have differences. In some countries minimum wages are applied nationally, but in other countries minimum wages are set at regional, sectorial or occupational levels (Eyraud and Saget, 2005; Vaughan-Whitehead, 2010; Belser and Sobeck, 2012). As a result, the policy connection between wage policies is highly dependent on how general or sector-specific both policies are.

Another element is how wage policies are integrated with other social policies. If social benefits linked to the labour market are passive or active, policies like minimum wages have more space as a policy tool -when social policies are passive- or less -when social policies are active (Gautié et al., 2010; Vaughan-Whitehead, 2010; Grimshaw and Bosch, 2013). This literature also points out that social policies in general can have an impact in wage policy-making. In that sense, the success of social policies in decreasing poverty or in improving income distribution has an impact in the use of wage policies as tools for tackling both policy goals. As a consequence, successful social policies tend to exert a crowding-out effect on wage policies, whilst a crowding-in effect happens when social policies have less impact in tackling

social policy goals such as poverty reduction or improving income distribution (Gautié et al., 2010; Vaughan-Whitehead, 2010; Grimshaw et al., 2013).

The existence of social dialogue –understood as dialogue between wage policies actors- has an important role for wage policies integration. As Belser and Sobeck (2012) notice, tripartite consultations are the predominant scheme of minimum wage policy-making in the world. Likewise, Boeri (2012) also observes that minimum wage levels in countries without institutionalised consultation processes are significantly lower than those where the definitions of wage floors are part of consultation and participation. In that line, different studies highlight the importance of social dialogue as a space that facilitates wage policy implementation (Marinakis, 2009; Vaughan-Whitehead, 2010; Grimshaw, 2013). As a result, formal or informal spheres for dialogue between trade unions, employers and government representatives tend to contribute to the stability and deepening of wage policies (Grimshaw et al., 2013; Bosch, 2015).

Finally, as several authors have mentioned, an active wage policy does not imply legal compliance (Grimshaw and Bosh, 2013; Grimshaw et al., 2014; Lee and McCann, 2013). Legal enforcement of wage policies can have an impact on the informal pattern of labour relations expressed in more precarious contracts, a shifting towards temporary labour relations, the increment of working hours and the reduction of other benefits (Lee and McCann 2013). The final result of the two contradictory trends –expansion of legal protection and a higher informality and precariousness of labour conditions- arrives to what the literature calls the indeterminacy effect of legal enforcement (Ibid). Whilst the final result of legal enforcement cannot be clearly defined, the prevalence of one of the two forces depends on the institutional structure. In the case of minimum wage enforcement, the final impact depends on the institutional structure of employment relations and social dialogue (Grimshaw et al., 2013). In cases when labour inspection is effective and collective bargaining and minimum wages are perceived as relevant institutions, legal enforcement expansion tends to predominate in terms of its positive effects (Ibid).

The discussion of minimum wage and collective bargaining integration provides useful inputs to studying wage policies, highlighting the role of the structure of each policy, the complementarities with social policies and the importance of social dialogue. However, the

Grimshaw and Bosch (2013) and Grimshat et al. (2014) model has limitations in describing transits from one type of interaction to others. These problems are related to the nature of their analytical framework, focused on the description of countries and sectors using a typology for one point in time. However, these limitations can be overcome in an intertemporal perspective, observing the transit of these interceptions and identifying different factors (institutions, actors, laws, policy-making, government characteristics, political processes) that allow institutional path departure. As will be discussed later, the political elements (party linkage to trade unions, institutional legacies and legislative participation) have a potential impact on wage policy-making and could influence the transition from LMEs to CMEs-type wage policies.

2.3. Policymaking in Latin America

There is a considerable literature documenting how democratic transitions affect the policy-making process. Where transitions were negotiated they tend to produce more stable PMPs, especially through the veto power of different actors. Likewise, other processes such as the liberal wave of reforms in the 1980s and 1990s, and the arrival of left-wing coalitions in the 2000s, have defined the focus of socioeconomic policies. Whilst liberal reforms tended to reinforce LMEs-type policies, a more progressive approach tried to change the policy focus, particularly expanding social policies. This tension between policy legacies in the 2000s also affected the way left-wing governments, business elites and trade unions related. Therefore, this section will be focused on the discussions of the main processes, policy legacies and actors' power resources that shaped regional PMP.

2.3.1. Influence of democratic transitions and liberal processes in policy-making

In terms of policy implementation in Latin America from the 1980s, the democratic transition and the neoliberal policy wave have influenced the characteristics of the policy-making processes in the region. Whilst democratic processes have allowed the participation of more political actors and their agendas in the PMP, the neoliberal wave orientated PMP in favour of market forces. This section explores the impact of these processes in the policy-making institutional framework. The debate is particularly important for the discussion of policy path departure in the region.

Latin American policy-making can be sketched by regional trends that had common characteristics. The start of the democratisation process coincided with the dominance of Washington Consensus policies and a neoliberal ethos that guided policy recommendations in the 1980s and 1990s (Smith et al, 1994; Weyland, 1996; Weyland, 1998; Stokes, 2001; Weyland, 2004). Furthermore, the concurrence of both processes implied a tension between the driving forces behind the democratisation process –as a tool of inclusiveness- and the redefinition of the State's role (Oxhorn and Ducatenzeiler, 1998; Stokes, 2001; Weyland, 2004; Kingstone, 2011; Martinez et al., 2012). However, at the beginning of the democratic transition the idea of a market solution in Latin America prevailed. Likewise, this policy trend also succeeded in former Eastern Europe socialist regimes where democratisation was linked to economic liberalisation (Przeworski, 1995; Linz and Stepan, 1996). Consequently, the conflict between inclusive and state reformist forces ended in the adoption of pro-market policies in Latin America (Oxhorn and Ducatenzeiler, 1998; Weyland, 1998). As a result, the political outcome during this period was a stronger position for pro-market advocates –right or centre-right coalitions and business elites- and more limited power for leftist parties and trade unions (Roberts and Wibbels, 1998; Murillo, 2001; Kingstone, 2011).

The adoption of a pro-market policy approach was also facilitated by the nature of military regimes. Dictatorships were supported by business elites and right-wing parties as an attempt to preserve capitalist systems in Latin America in the context of cold war (Smith et al., 1994; Weyland, 1996; Weyland, 1998). Therefore, reinforcing and extending pro-market policies reduced sources of conflict in the economic arena during the democratic transition. Additionally, the regional preeminence of neoliberal policies in the 1980s and 1990s also strengthened LMEs-type policies, generating a more disruptive relationship between capital and labour, deregulating markets and decreasing state participation in national economies (Oxhorn and Ducatenzeiler, 1998; Weyland, 1998). Furthermore, the neoliberal policy adoption implicitly created a structural lock-in that prevented path departure processes from LMEs-type policies. As Campello (2014) notices, markets used a dissuasive pressure on the final decision making for new presidents in Latin American countries, eroding financial flows in local markets and generating a currency crisis environment. Consequently, this pattern invigorated the path dependence of neoliberal policies in the region, reshaping the policy

agenda of new left-oriented governments towards a pro-market approach from the 1980s until beginning of the 2000s (Ibid).

The PMP debate in the region is also linked to the existence of different actors and their influence in the government and legislative spheres. On the one hand, the literature on veto players has addressed the importance of both the structure of the political system and a fragmented composition in the legislative that gives more veto power to different players (Tsebelis, 1995; Tsebelis, 1999; Tsebelis, 2000; Benz, 2004; Tsebelis and Chang, 2004). On the other hand, several studies highlight the importance of different actors in the government and legislative branches when a ruling coalition designs policy reforms (Kaufman and Stallings, 1991; Leftwich, 1993; Robert and Wibels, 1999; Huber et al., 2006). In particular, the pre-eminence of economic ministries in policy design, the composition of governments with more/less technocratic regards on PMP, and the influence of constituency in the policy reform agenda setting are elements that shape the PMP. As several studies on Latin America PMP point out, more atomised legislative composition generates more veto players resulting in unstable PMPs (Robert and Wibels, 1999; Kaufman and Segura-Ubiergo, 2001; Huber et al., 2006; Huber et al., 2008; Spiller et al., 2008). On the contrary, less atomised legislative compositions and the possibility of generating stable majorities facilitate a stable PMP. Additionally, the existence of higher levels of technocrats in government and the pre-eminence of economic ministries tend to enforce a more economic stability-oriented PMP. Consequently, the discussion of how different actors participate in the PMP is relevant to understanding different policy outcomes in the region. This discussion is particularly important when it is linked to the way LMEs policies have generated path-dependence.

The strength of the path dependence lock-ins of neoliberal policies was shaped by the characteristics of the democratic transition in each country. As several authors point out, the path of democratic transition was heterogeneous across Latin America, with different levels of conflict in terms of human rights, constitutional legacies and de-facto cleavages in the institutional democratic framework (O'Donnell, 1975; Kaufman, 1986; Linz and Stepan, 1996). However, Linz and Stepan (1996) argue that democratic transitions in the region could be classified –with different degrees- as loyal or disloyal, having a clear example of the latter in Chile and of the former in Uruguay. On the one hand, the Chilean case represents a military regime constitutional legacy maintained during the democratic transition; establishing

reserve domains for pro-military regime supporters and constraining reforms during the democratic transition, keeping Pinochet's neoliberal policies, such as health, social security, tax and industrial relations policies, almost untouched (Pribble, 2013; Sehnbruch and Siavelis, 2014; Luna, 2015; Fairfield, 2015). On the other hand, all parties in Uruguay participated in the democratic transition discussions, restoring the constitution that was in place prior to the military regime (Linz and Stepan, 1996; Pribble, 2013; Luna, 2015). This facilitated a sense of loyalty to democracy and its political institutions that did not constrain policy implementation or policy reforms (Pribble, 2013; Luna, 2015). Consequently, whilst in Uruguay LMEs-type policies followed a neoliberal ethos that appealed to the democratically elected governments, in Chile these policies continued in democracy due to a constitutional path dependence lock-in that impeded reversals of the neoliberal institutional framework implemented in the military regime (Sehnbruch and Siavelis, 2014; Luna, 2015).

Despite its contribution to contextualise the differences between democratic transitions, Linz and Stephan (1996) also have limitations in terms of the analysis of the evolution of different actors' positions towards democratic and military regimes. As Mainwaring and Pérez-Liñán (2013) observe in their analysis of the democratic transition in Latin America, approaches like Linz and Stephan (1996) and others (O'Donnell et al., 1986; Przeworski, 1991) are built on structures of common positions towards the democratic and military regimes. In that sense, as Mainwaring and Pérez-Liñán (2013) point out, the analyses based on blocks of common positions lack the narrative of how these common positions are built. Moreover, Mainwaring and Pérez-Liñán (2013) also highlight that actors' positions change over time, as the Chilean Christian Democrats with Allende and Pinochet. As the authors notice, Chilean Christian Democrats' normative preference for democracy weakened during the course of the Allende years and reinforced during Pinochet's regime. On the other hand, Mainwaring and Pérez-Liñán (2013) provide strong evidence of the conditions that explain changes and survivals of regimes. In particular, they observe that actor's normative attitudes towards democracy and dictatorship, level of radicalism of actors' positions and the favourable political environment towards democracy, are important elements that explain the conditions for changes or permanence of regimes. Moreover, they observe that these elements generated the conditions towards regime change in Uruguay and Chile. In particular, Mainwaring and Pérez-Liñán (2013) note that beyond a rigid typology such as Linz and Stephan (1996) there are

conditions that explain common positions towards democracy in both countries: moderate positions of main political ruling coalition/parties, an international context that supported democratic transitions -particularly after the end of the Cold War- and a majoritarian adscription towards democracy. Therefore, the differences between Uruguay and Chile expressed in the political infrastructure, were linked to the leverage that military regimes had in terms of popular support and capability to influence the institutional design of new democracies.

These discussions highlight the dynamics of LMEs-type policies at the beginning of the democratic transition and show who the winners and losers of the neoliberal policy implementation were. These discussions also remarked on the markets dynamics that prevented path departure in left-wing governments and how, as in the case of Chile, stronger path dependence lock-ins for LMEs-type policies arrived through a constitutional legacy and a disloyal democratic transition. However, a wave of counter-reforms arrived in Latin America in the 2000s, changing the dynamics of LMEs-type policies and reversing the path dependence of neoliberal policies. As will be discussed in the next sections, this shift was related to a change in the regional political and economic environment, allowing the arrival of a new left in several Latin American countries. The new policy approach was mediated by the presence -or lack- of structural lock-ins that shaped political dynamics, especially political parties' characteristics and electoral competition.

2.3.2. Arrival of left-wing governments

This section explores the impact of left governments in policy reforms and path departure. This debate highlights the difference among moderate and radical lefts for socioeconomic policy expansion. The section also explores policy variations among moderate left governments. In doing so, I argue that moderate left coalitions are likely to promote wage policy expansion. I also argue that the political character of moderate governments defines the intensity of policy expansion but it may also sponsor policy reversal from LMEs to CMEs-type policies.

The liberalisation that Latin America experienced in the 1980s-1990s generated more vulnerability to external shocks and produced continuous business cycles, with a regional increase in poverty, inequality and informality (Ffrench-Davis, 2000; Diez and Franschet,

2012; Haggard and Kaufman, 2012). Additionally, these outcomes also exposed the lack of adequate social policies to combat poverty and inequality, and the need of a stronger and effective state to reorient these policies (Diez and Franschet, 2012; Haggard and Kaufman, 2012). Consequently, the increasing precariousness at the end of the 1990s motivated a political turnaround, with the arrival of leftist governments across the region in the 2000s and more active social policies (Castañeda, 2006; Weyland, 2009; Madrid et al., 2010; Weyland, 2011; Garay, 2010; Pribble, 2013). Likewise, in a context of economic growth due to the commodities boom Latin America experienced in the 2000s, governments had fiscal space for active policy implementation (Grugel and Riggirozzi, 2012; ECLAC, 2014). As a result, the combination between a new focus for socioeconomic policies and more progressive governments, in a positive macroeconomic environment, allowed several countries to implement active social policies to reduce poverty, inequality and unemployment until the beginning of the 2010s (ILO, 2010; ILO, 2012; ECLAC, 2014).

The ascendance of a new left was dissimilar in terms of the characteristics of governments across the region (Castañeda, 2006; Weyland et al., 2010). On the one hand, a more programmatic and institutionalised left emerged in Chile, Brazil and Uruguay, characterised by governments' respect of the existing institutional framework, openness to democratic consensus for policy reforms and careful consideration of the impact of LMEs-type policies legacy. As a consequence, this type of left followed a more pragmatic policy approach (Castañeda, 2006; Roberts, 2007; Levitsky and Roberts, 2011; Kingstone, 2011). On the other hand, a more radical and confrontational left emerged in Ecuador, Bolivia and Venezuela, where governments contested the institutional legacy, promoted constitutional reforms, mobilised its political base and used an aggressive and polarising discourse (Castañeda, 2006; Roberts, 2007; Geddes, 2009; Weyland, 2009; Weyland et al., 2010; Ellner, 2011). Additionally, the two lefts had a different policy implementation approach. Whilst more radical left governments policies were more populist and electoral-driven, moderate left governments policies were adequately financed and technically implemented (Garay, 2010; Handlin, 2012; Pribble, 2013; Garay, 2017).

Differences in policy implementation are also observed among moderate lefts. As some scholars argue, these differences are related to the structure of political institutions, particularly how veto power is designed and exerted (Castiglioni, 2005; Spiller et al., 2008;

Huber et al., 2008). Castiglioni (2005) argues that the structure of veto power and the electoral system explains differences in social policy implementation in Chile and Uruguay. According to this author, the constitutional legacy of the Chilean binominal electoral system and the right-wing parties veto power in the Senate through the designated senators rule, forced political parties coalitions (from centre to the left) and more negotiation between coalitions and among parties of the ruling coalition. On the contrary, the author argues that Frente Amplio was a party in an unbounded electoral system, where social policies were agreed through consensus between different parties.

Pribble (2013) challenges Castiglioni's assertion. In her study on the universalisation of social policies, Pribble observes that the expansion of the coverage of social policies depends on the characteristics of the ruling coalition, the existence of electoral competition and institutional legacies. According to this author, these elements explain why policy-making for reforming and extending education and social security policies in Latin American countries had different outcomes in the 2000s. Institutional legacies are linked to previous institutional frameworks that define the need for policy reform and the interactions with actors involved. Electoral competition expresses the importance of electoral expectations for having legislative majorities. Accordingly, when electoral competition is lower the expectations for having an electoral majority are higher. Consequently, the ruling coalition tends to maintain the original contents of its policy reform proposal. Conversely, when electoral competition is higher, ruling coalitions expect a legislative minority and tend to negotiate the contents of policy reforms with the opposition parties. Finally, the character of the coalition in power explains how strategic policy implementation is and how coordinated government agendas are with their constituency. According to Pribble, the centre-left wing coalition (Concertación) that ruled Chile in the 1990s and 2000s faced more electoral competition and was less dependent on its constituents' agendas, having a more strategic approach for policy implementation. Moreover, the Chilean coalition was categorised as a "electoral-professional" coalition with a "softer" linkage to their constituency agenda, including trade unions. Conversely, Frente Amplio's governments had legislative majorities and their agendas were aligned with their constituents, due to the "stronger" linkage to trade union agendas, facilitating the extension of social policies. Thus, Pribble categorises Frente Amplio as a "constituency-coordinated" coalition.

Pribble's discussion is relevant to highlight the importance of political variables that influence social policy universalisation, particularly the party character of the ruling coalition. However, there are some elements not considered in the construction and operationalisation of the variables, electoral competition and institutional legacies. In particular, electoral competition definition uses expected electoral results for legislative composition, diminishing the importance of current legislative composition. In addition, Pribble's argument does not include the timing of the legislative debate as it can happen at the beginning, middle or end of the government's period. Finally, Pribble does not include in her discussion how institutional legacies and electoral competition are connected the type of democratic transition and the path dependence linked to a neoliberal ethos. As the literature on democratisation processes points out (Linz and Stepan, 1996), democratic transitions like in the Chilean case gave more veto power to parties loyal to the military regime and higher veto power in the legislative through Designated Senators. Moreover, the institutional setting during the first years of the Chilean transition functioned as a political infrastructure to protect the neoliberal reforms implemented during the dictatorship. Consequently, there is a need to include these elements for the operationalisation of the political variables that influence social and wage policies.

The discussion of the characteristics of left-wing governments and their impact in Latin American policy-making offers valuable inputs to understand differences in policy implementation among technocratic and populist lefts and between programmatic left-wing governments. The political and electoral institutional structure, the coalition characteristics and electoral competition have an impact on the governmental capacity to expand social policies (Castiglioni, 2005; Pribble, 2013; Garay, 2017). Despite some limitations discussed above, the exploration of political variables in wage policy-making is useful for both the discussion of path departure in industrial relations policies and the possibility of a reversal of LMEs-type policies towards CMEs-type policies. It would also serve to study how trade unions have influenced policy-making during the emergence of left-wing governments, as is discussed in section 2.3.3. I discuss in depth the implementation of political variables to analyse wage policy and the interaction of trade unions with ruling coalitions in Chapters 3 to 6 and briefly in section 2.5.

2.3.3. Left governments and actors: business elites and trade unions

This section discusses how business elites and trade unions related to left-wing or centre-left wing governments during the 2000s. In doing so, this segment discusses structural and instrumental power sources for both actors. In that sense, this section argues that business elites have been successful in exerting their power resources to influence policy-making in moderate left governments. On the contrary, trade unions have been relatively unable to increase their ability to influence policy-making. However, these outcomes are mediated by the character of left governments and the capacity of trade unions to exert structural power at sector level.

Analyses of socio-political institutions in Latin America have been focused on how actors have influenced policy-making during military regimes and the beginning of democratic transitions (O'Donnell, 1975; Rokkan, 1977; Kaufman, 1986; Collier and Collier, 1991; Oxhorn and Ducatenzeiler, 1998; Bartolini, 2000; Murillo, 2000; Stokes, 2001; Weyland, 2004; Roberts, 2013). These analyses have highlighted the increasing incidence of business elites in promoting LMEs-type policies and the decreasing power of trade unions to shape socioeconomic policy-making (Roberts, 2007; Stillerman and Winn, 2007; Bogliaccini, 2013). Furthermore, the declining political capacity of trade unions was linked to the deindustrialisation and the employment precariousness produced by the liberalisation process; social-structure changes that eroded trade union support; problems in maintaining cohesion among different unions; and changes in the relationships with political parties that have traditionally represented trade unions interests (Clark et al., 1993; Roberts, 2002; Levitsky, 2003; Cook, 2007; Bogliaccini, 2013). In that sense, the left-wing ascendance in the 2000s was seen as a possibility to balance the policy influence of trade unions and business elites (Roberts, 2007; Weyland, 2009).

The literature on structural and instrumental power is useful to analyse these processes. Even though this literature has been focused on business elites, this conceptual framework can be used for both actors. Structural power is the ability to affect policy-making and political processes through economic decisions, as in the case of business elites using investments decision-making (Przeworski and Wallerstein, 1982; Fairfield, 2015). The significance of an actor's decision lies on the economic importance of those actors. This economic importance relies upon size of capital –fixed or mobile- in the case of business elites (Conaghan, 1988; Fairfield, 2015) or successful collective actions in strategic sectors, in the case of trade unions

(Martin and Ross, 1999). On the other hand, instrumental power is related to actors' ability to influence policy-making through their relationships with the political and institutional structure (Conaghan, 1988; Fairfield, 2015). Likewise, instrumental power is exerted by lobbying both Congress and the executive; participating in institutionalized consultation in policy-making; providing resources for political campaigns; having access and use of media to shape public opinion; and activating formal and informal networks with political parties and governments (Schneider, 2008; Karcher and Schneider, 2012; Fairfield, 2015).

Another issue discussed is how instrumental power and structural power interact. The degree of complementarity of these sources of power depends on the political and economic cycles interactions (Schneider, 2004, 2010, 2013; Fairfield, 2015). As Fairfield (2015) notes, a recession should be dissuasive enough to not generate pressures in the private sector through tax increases. However, median voter political disaffection to pro-business parties and governments could trigger a policy initiative for business tax rises during recession. A similar disconnection could happen when tax reductions are politically supported during economic booms. Therefore, both sources of power can be mutually neutralized or boosted depending on the political context (Idem).

Instrumental power is a category that has been more explored for trade unions, especially through their natural links with left-wing parties. However, as many researchers (Murillo, 2001; Collier and Collier, 2002; Levitsky, 2003; Cook, 2007; Buchanan, 2008) have pointed out, trade unions in Latin America along the 20th century have had instrumental relations with a more diverse range of political parties, including wide-range-political-spectrum movements like Peronismo in Argentina, powerful revolutionary parties like PRI in Mexico, moderate Christian Democratic parties like in Chile, and more traditional left-wing parties across the continent. Cook (2007) also highlights that during the liberal reforms labour markets faced in the 1990s, the availability of instrumental power has shown different outcomes in terms of the effectiveness of trade unions for shaping labour market policymaking, particularly wage policies. The different political adscriptions that trade unions have also have impacted in their cohesion, a critical resource for instrumental power in the case of business elites (Fairfield, 2015; Castañeda, 2017).

There is a clear difference in resource availability between economic elites (or employers' associations) and trade unions, especially in terms of media access and money, while categories like cohesion and specialization are more varied and country dependent (Schneider, 2010; Culpepper, 2011; Yadav, 2011; Fairfield, 2015; Castañeda, 2017; Keller, 2018). On the area of relationships and their effect on instrumental power, there are clear differences between institutionalized mechanisms that employers and trade unions have to impact policymaking. Business elites have more institutionalised mechanisms to interact with governments and legislatures in discussions of a broader economic agenda that includes labour markets issues, tax policies, investment policies, etc. (Schneider, 2010; Culpepper, 2011; Fairfield, 2015). In contrast, trade unions have a narrower agenda focused on labour market issues, including workers' rights, wage policies and employment protection (Gautié et al., 2010; Hayter and Weinberg, 2011; Bosch, 2015). This dissimilarity is important because it defines how many times institutionalized relational mechanisms operate, bringing more opportunities to business elites to interact with governments and legislatures in more topics. Moreover, this dissimilarity gives employers' associations more chances for negotiations (*quid pro quo*) with policy and decision makers. Thus, business elites have a bigger instrumental power compared to trade unions in terms of their formal relationships with policymakers.

There is also a favourable edge of instrumental power for employers when considering informal relationships. Business elites are more likely to have closer and broader informal ties with political elites in more segmented societies, where issues of class origin are more relevant (Schneider, 2010; Yadav, 2011; Fairfield, 2015). This is also the case in other elements like recruitment into Government (Schneider, 1997, 2004; Yadav, 2011). Due to their class origins and a broader network of informal ties, employers' representatives or members of business elites are more likely to be recruited into Government than their counterparts in trade unions (Cook, 2007; Yadav, 2011). Consequently, either by institutionalized or informal mechanisms, in principle employers have more instrumental power than trade unions.

There is a clear common ground between the discussion of tax policymaking and the debate on wage policymaking. In the former, one actor (business elites) tries to influence the policy setting agenda and the decision making (Schneider, 2010; Yadav, 2011; Fairfield, 2015). The same happens in the latter, but including trade unions (Hayter and Weinberg, 2011;

Grimshaw et al., 2014; Bosch, 2015). There is also a clear business elites' agenda besides impeding tax increases -or facilitating tax reductions- (Fairfield, 2015; Castañeda, 2017): obstructing labour reforms or labour policies that imply labour cost increases (Murillo, 2001; Murillo and Shrank, 2005; Cook, 2007). In that sense, active wage policies through minimum wages rises or collective bargaining extension should be seen as equivalents to tax increases. Trade unions pursue exactly the opposite of business elites, promoting the extension of collective bargaining coverage and the active use of minimum wages to protect working poor. Consequently, both actors can be seen as opposite factions that pursue different goals in the same policy arenas.

Efforts to operationalize an analysis of business elites' power exertion on tax policymaking provide key elements that could be extrapolated for a discussion on wage policymaking: a) the type of power exerted by business elites, b) the importance of their relationships and resources to influence tax policymaking, c) how interactions of structural and instrumental power are context dependent and d) how the internal structure of business elites are a key element to explain the effectiveness of business elites (Schneider, 1997, 2004, 2010; Culpepper, 2011; Yadav, 2011; Fairfield, 2015; Castañeda, 2017). There are also other areas of the tax reforms linked to preferences and composition of business elites. On the one hand, Fairfield (2015) raises the issue of tax preference for business elites between different tax options. The author observes that businesses prefer increases in flat taxes (Value Added Tax) rather than income taxes. According to Fairfield, business elites' efforts in Chile have been clearly focused on impeding income taxes raises during Concertación's governments. This tax preference also has a parallel in wage policies. Minimum wages can be seen as an equivalent to a flat tax (all companies have to pay it) but collective bargaining is differentiated. Collective bargaining is more likely in big companies and its wage demands tend to be positively correlated to companies' revenues: the larger the revenues, the higher collective bargaining demands are (Gautié et al., 2010; Grimshaw and Bosh, 2013; Grimshaw et al., 2014). Considering that big companies tend to pay wages higher than minimum wages -compared to small and medium companies-, business elites' preferences between both wage policies tend to favour minimum wages rather than collective bargaining (Gautié et al., 2010; Grimshaw and Bosh, 2013). The opposite happens with trade unions because their

preferences are more focused on increasing their wages, relatively more dependent on the collective bargaining outcomes (Hayter and Weinberg, 2011; Bosch, 2015).

Another element raised in the analysis of business elites tax reforms is linked to the internal organization of business organisations (Martin and Swank, 2012; Fairfield, 2015; Castaneda, 2017). In particular, the structure and coordination of business elites serves as a strong element for explaining why they are more successful in impeding tax reforms that increases taxes. Fairfield (2015) observes that well-coordinated and strong organisation of business elites in Chile explains its capacity to contain tax reforms initiative in Concertación governments. In addition, Castañeda (2017) provides strong evidence that business elites' reactive position to tax policy initiatives is more successful in impeding or reduce direct tax increases if business organisations are powerful and organised. Castañeda also argues that indirect taxes tend to increase if business elites are centrally coordinated. Consequently, the strength and levels of coordination of business elites tend to be an important element for analysing tax policies that should be considered for wage policies. In that sense, more powerful and centrally coordinated business elites should be more successful in impeding increases in collective bargaining (similar to direct taxation to companies).

The aforementioned discussions are an important input for this research agenda because they provide a conceptual and operative way for analysing tax policies for wage policies. As it was argued above, wage policies, as a set of policy choices, function similarly as tax policies. Therefore, actors' preference for wage policies materializes in an analogous fashion. The importance of different types of power availability for influencing tax policymaking is also relevant for wage policies, considering that trade unions and business elites look for shaping wage PMP for their convenience. In that sense, how these actors exert their structural and instrumental power in the political setting that both countries had during the democratisation process, are key elements for understanding how wage PMP were shaped in Chile and Uruguay. However, as this dissertation focuses on the actions and relationships between trade unions and coalitions/parties and the availability of legislative majorities, the discussion about the actions of business elites is implicit in the way ruling coalitions/parties act. Moreover, considering that the vast majority of the theoretical discussion on instrumental and structural power focuses on business elites, for labour policies and wage policies in particular, seems necessary to introduce a discussion focused on trade unions.

These debates also contribute important elements for the analysis of business elites and trade union influence during the 2000s. A first element is the capacity of business elites to maintain their power for shaping policies even when facing radical left governments (Roberts, 2013; Weyland et al., 2010; Weyland, 2011). Furthermore, business elites show a great adaptability, maintaining or increasing their economic importance in this period and creating formal and informal networks with left-wing governments (Schneider, 2008; Karcher and Schneider, 2012; Fairfield, 2015). Secondly, the arrival of more pro-union governments has not necessarily meant more trade union capacity to influence policy-making (Roberts, 2013; Weyland et al., 2010). Moreover, the rise of the new left in the region has not produced a significant increase of trade union affiliation or trade union industrial relations actions (ILO, 2015). Consequently, trade union structural power has been limited and their capacity to exert institutional power depends on their participation in left-wing governments' decision making (Weyland et al., 2010; Sehnbruch, 2012; Roberts, 2013). As a consequence of the business elites' capacity to adapt to the new environment and trade union's limited ability to influence policy-making, left governments have not produced a sound change in the structure of power among actors (Weyland, 2011; Sehnbruch, 2012; Latta and Cid Aguayo, 2012).

The discussion on different sources of power among actors during left-wing governments in the 2000s is closely linked to the importance of parties' characteristics for policy-making (Pribble, 2013). Coalitions like Concertación in Chile tend to be more strategic in their policy agenda, taking into account all actors demands. Moreover, Concertación governments have promoted Pinochet's capitalist institutional legacy whilst trying to balance socioeconomic conditions (Sehnbruch, 2012; Latta and Cid Aguayo, 2012). Likewise, Traverso et al. (2012) argue that Concertación governments removed trade unions from any important bargaining processes during the democratic transition. Conversely, parties like Frente Amplio in Uruguay have also interacted in a capitalist system but have introduced important socioeconomic reforms, including labour market reforms (Bogliaccini, 2012; Buchanan, 2008). Furthermore, Frente Amplio policy implementation tried to reverse LMEs-type structure towards a more CME's-type socioeconomic matrix (Bogliaccini, 2012). Likewise, the close relationship between Frente Amplio and key constituents such as trade unions, has been decisive in the policy agenda implementation of the Uruguayan left-wing coalition (Bogliaccini, 2012; Pribble, 2013; Luna, 2014).

Consequently, the nature of the linkage between governments and actors agendas is an important factor to understand how instrumental power operates among different governments in their relationships with trade unions and business elites. Likewise, the discussion highlights business elites' capacity to articulate their power resources with left governments whilst trade unions have been relatively unable to increase their ability to influence policy-making. Even though there is a rich literature around the connection between workers organisations and political parties in Latin America (Collier and Collier, 2002; Cook, 2007; Buchanan, 2008) little has been said about the incidence of the direct participation of trade unions in governments during the "pink tide" in the 2000s. Moreover, there is no discussion on the incidence of the direct participation of trade unions in governments and in the policymaking of socioeconomic policies. These issues are extensively discussed in Chapters 3 to 6 and briefly commented on in section 2.5.

2.4. Wage policies in Latin America

Wage policies in Latin America have experienced similar regional economic and political trends. Both minimum wages and collective bargaining policies faced periods of active or passive use related to the predominant policy ethos. From the military regime and the neoliberal period when wage policies were more passive, the region experienced a shift towards an active use of wage policies in the 2000s. However, when ruled by left-wing governments, countries like Chile and Uruguay had different policy outcomes in collective bargaining. Whilst Uruguay extended collective bargaining coverage to almost all formal employees from 2005, collective bargaining coverage remained low throughout the democratic transition in Chile. This section will discuss the evolution of the relationship among wage policies in Chile and Uruguay during the democratisation process, the influence of social policies in wage policy-making and the expansion of wage policies to informal employees such as domestic workers.

2.4.1. Wage policy making in the region: the cases of Uruguay and Chile

This section discusses the recent evolution of wage policy in Latin America. This section is particularly focused on the differences between Uruguay and Chile during their moderate left-wing governments. This section highlights the importance of the democratic transition for wage policy-making.

The arrival of the democratic wave in the 1980s implied the possibility of reactivating collective bargaining, a constrained policy tool during military regimes (Edwards and Lustig, 1997; Weeks, 1999). However, the first period of democratic transitions coincided with the neoliberal ethos that recommended moderate or even contracting wage policies (Cook, 1998; Weeks, 1999). Along with other liberal reforms in labour markets and the diminished power of trade unions, wage policies in the region were characterised by their disuse. Thus, minimum wages were less active -or even frozen- and collective bargaining reduced its coverage all over Latin America (Edwards and Lustig, 1997; Weeks, 1999; Cook, 1998; Cook, 2007; Ramos et al., 2015). During the 2000s, these wage policy trends were reversed. A different socioeconomic policy framework helped to reactivate wage policies (ILO, 2010; ILO, 2012; ECLAC, 2014). Policy tools like the minimum wage were identified across the region as adequate mechanisms to reduce poverty, protect the incomes of poor households and decrease inequalities. The more active role of minimum wages was also seen as an instrument to improve informal workers' income, due to the lighthouse effect that minimum wages have for both formal and informal workers (Fanzylberg, 2001; Lemos, 2009; Boeri et al., 2010). In a regional context of limited participation of trade unions and constrained coverage of collective bargaining, minimum wages were the most important wage policy in the region during the last decade (Marinakakis and Velasco, 2006; ILO, 2010; ILO, 2012). Even during the financial crisis, minimum wages were used actively as an instrument to generate a positive internal demand side effect in many countries, as a way to compensate for the external effect of the international recession.

Some countries, particularly in the Southern Cone of South America, experienced changes in their collective bargaining coverage in the 2000s. Argentina, Brazil and Uruguay, especially during leftist governments highly linked to trade unions, promoted collective bargaining (ILO, 2010; ILO, 2012; ECLAC, 2014). Moreover, Uruguay was the more radical and successful of them, extending collective bargaining to almost all formal employees (Notaro, 2007; Mazzuchi, 2009; Loustaunau, 2010). In 2005 the country re-implemented *Consejos de Salarios* (Wage Councils), a collective bargaining institution from 1942, banned during the military regime and not used in democracy since 1991 (Mazzuchi, 2009; Loustaunau, 2010). The Uruguayan Frente Amplio government re-institutionalised Wage Councils, convoking them every two years. In addition, Wage Councils were progressively extended to more economic

sectors and topics, covering almost all employees (Notaro, 2007; Loustaunau, 2010). As a consequence, at the end of the 2000s, domestic and rural workers were included in collective bargaining in Uruguay. The country was the first in Latin America to implement a collective agreement for domestic workers (Mazzuchi, 2009; Batthyány, 2012).

In contrast to Uruguay and the rest of the Southern Cone countries, Chile did not follow an expansive policy for collective bargaining in the 2000s. Despite Chile's high formal employment ratio and progressive governments in the 1990s and 2000s, the collective bargaining coverage remained almost constant during the first two decades of the democratic transition (Campero, 2007; Sehnbruch, 2012; Sehnbruch and Siavelis, 2014). This was the result of a particular combination of factors that included: a) foundational economic reforms that preceded the democratic transition; b) a labour law –implemented during the military regime- that reduced trade unions capacity to negotiate collectively, c) a constitutional legacy that set up the political arena during the start of the transition, giving right-wing parties high veto power in strategic economic issues such as tax and industrial relations policies, d) a highly negotiated democratic transition that avoided putting too much pressure on topics that were difficult to reform, and e) a certain path dependence that implicitly made Concertation governments accept and confirm the rule of the game in the labour market (Sehnbruch, 2006; Cook, 2007; Sehnbruch, 2012; Sehnbruch and Siavelis, 2014; Ruiz-Tagle and Sehnbruch, 2015; Ugarte et al., 2015).

These different patterns in wage policies in Chile and Uruguay show the significance of democratic and economic processes for policy-making over time. Chile was the first country that implemented important neoliberal reforms in the 1970s and 1980s (Cook, 2007; Sehnbruch, 2012; Sehnbruch and Siavelis, 2014). Consequently, the Chilean military regime and its supporters had an interest in protecting its legacy during the democratic transition and beyond. In terms of wage policies, this resulted in a low coverage of collective bargaining that continued in the democratic period. Conversely, the minimum wage became the most important wage policy for Concertación governments (Cortazar, 1997; Campero, 1999; Marinakis and Velasco, 2006; Campero, 2007; Ugarte et al., 2015). In contrast, the democratic transition in Uruguay was less restrictive (Linz and Stepan, 1996; Anzaro, 2000; De Armas, 2006; Luna, 2015). This pattern made wage policies move according to governments' policy preferences. During the Partido Nacional and Colorados regimes in the 1990s and first half of

the 2000s, minimum wages and collective bargaining were very passive, following the prevalent neoliberal policy approach. But the arrival of Frente Amplio in 2005, activated both wage policies, particularly collective bargaining (Furtado, 2006; Rodriguez et al., 2007; Loustaunau, 2010).

The discussion of the impact of political variables in the expansion of social policy seem to be useful to analyse wage policy evolution in Chile and Uruguay. However, these elements appear to be deficient for explaining why wage policies were expanded to informal categories such as domestic workers, the level of impact on wage policies of economic imperatives and how wage policies interact with other social policies. I discuss the latter two issues in section 2.4.2. and the expansion of wage policies for domestic workers in section 2.4.3.

2.4.2. Other elements of wage policies: the influence of economic imperatives and the relationship with social policies

This section discusses two topics related to wage policy-making. First, the segment discusses the role that economic imperatives have for wage policies. In particular, this section examines the influence that economic stability has in the willingness to have active or passive wage policies. Finally, the segment also debates the influence of social policies for more active wage policies. Moreover, this section analyses the preference for the use of both policies or of social policies over wage policies that is also related to the pre-eminence of economic imperatives.

There are also other elements linked to wage policy-making. One element that has been part of a broader discussion is the importance of economic growth imperatives for the active or passive use of these policies. On the one hand, the historic debates in the economic literature have been revolving around the negative effects of wage policies in economic growth, inflation, unemployment, labour informality and the willingness of business to invest (Brown, 1999; Freeman, 2008; Lemos, 2009; Boeri et al., 2010; Allegretto et al., 2011; Boeri, 2012; Slonimczyk and Skott, 2012; Butcher, 2012; Georgiadis, 2013). Even though more recent discussions have not found sound evidence of the negative effects of active wage policies due to the labour market structure or the existence of institutionalised social dialogue between stakeholders, the premises of these possible negative effects have served as a deterrent for wage policy-making (Neumark and Wascher, 2006; Freeman, 2008; Doucouliagos and Stanley, 2009; Belser and Sobeck, 2012; Bosh and Grimshaw, 2013; Chletsos and Giotis, 2015).

In particular, in the 1980s and 1990s wage policy-making was part of a broader liberal policy approach, that privileged passive or even contractive wage policies in order to achieve low inflation and macroeconomic stability (Alesina et al., 1996). On the other hand, the vast majority of democratic transitions in Latin America and other regions occurred at the same time neoliberal policies were deployed worldwide. As the literature of democratisation processes point out, economic stability was seen as a societal demand to the new democracies and the new political freedom that arrived with democracies was also linked to policies supporting free markets (Lipset, 1959; Bollen and Jackman, 1985; Sirowy and Inkeles, 1990; Diamond, 1992; Olson, 1993; Przeworski et al., 1995; Linz and Stepan, 1996; Carothers, 2002). Moreover, liberal policies and economic stability goals served as tool of legitimisation for new governments, particularly from the centre-left or left-wing parties in power (Alesina et al., 1996; Roberts and Wibbels, 1999; Acemoglu and Robinson, 2006). Thus, the prevalent liberal policy ethos and the need for legitimisation shaped the pattern of socioeconomic policies in general and wage policies in particular in the 1990s and 2000s creating path dependence (Kaufman and Segura-Ubiergo, 2001; Cook, 2007; Huber et al., 2008; Teichman, 2008; Savoia et al., 2010; Campello, 2014).

As mentioned before, the arrival of the pink tide or left-wing/centre-left wing governments changed this dynamic in different countries. Furthermore, this political regional shift coincided with a generalised trend for positive economic growth linked to the commodities boom that benefited many Latin American countries (ECLAC/ILO, 2009; ILO, 2013; ECLAC, 2014). As a result, the majority of Latin American countries during the second half of the 2000s experienced higher GDP growth rates and lower inflation/unemployment rates. Despite this positive economic context, social and wage policies were much more active in some countries with left-wing and centre-left wing governments than others (Castiglioni, 2005; Pribble, 2013; Garay, 2017). Moreover, Uruguay under Frente Amplio is as an example of active use of social and wage policies whilst Chile under Concertación was more moderate in using both policy options (Pribble, 2013; Sehnbruch and Siavelis, 2014; Luna, 2015; Garay, 2017). Therefore, the influence of the economic imperative for wage policy-making seems to be associated with the political character of left-wing or centre-left wing coalitions in power. Even more, as has been recently discussed (Pribble, 2013; Garay, 2017), the existence of a stronger linkage between left-wing coalitions to trade union agendas influence their

governments ability to use economic stability as a deterrence or boost to activate wage policies.

Another element highlighted in the literature on wage policy-making is the relationship between wage policies and other social policies. As different studies (Gautié et al., 2010; Vaughan-Whitehead, 2010; Grimshaw and Bosh, 2013; Grimshaw et al., 2014) observe, wage policies tend to be more active when social policies are limited in their ability to target poverty or to improve income distribution. On the contrary, wage policies tend to be more passive when these social policies have an extended coverage and are seen as successful in targeting poverty and improving income distribution. In that sense, the success/failure of social policies affects the willingness to activate wage policies. On the other hand, the social policies literature points out the importance of the political composition and the preferences of parties. Accordingly, electoral competition influences social policies as well as the preference of centre-left wing parties for social policies to target poverty and improve income distribution, and the importance of the linkage between trade unions and left-wing parties to have more active social policies (Austen-Smith, 2000; Bradley et al., 2003; Kenworthy and Pontusson, 2005; Iversen and Soskice, 2006; Ross, 2006; Solt, 2008). In addition, the literature on social policies in Latin America addresses the political elements that explain social expansion, highlighting the influence of ruling left-wing parties/coalitions, electoral competition and active social movements (Castiglioni, 2005; Huber et al., 2006; Huber et al., 2008; Pribble, 2013; Garay, 2017). Furthermore, this literature also emphasises the importance of the linkage between left-wing coalitions and their constituency in order to promote more active social policies (Pribble, 2013; Garay, 2017). However, this literature lacks more debate on the impact of social policies in wage policies. Moreover, wage and social policies have been analysed separately in terms of their impact on poverty reduction and income distribution (Cornia, 2010; ECLAC, 2014; ECLAC, 2018; ILO, 2018c).

A clear example of the importance of the relationship between social policies and wage policies emerged when the first Bachelet government created the commission on the Ethical Wage to discuss labour market policies to improve the income of poor workers (Borzutsky, 2012; Sehnbruch, 2012). Bortzutsky (2012) argues that the discussion evaded collective bargaining reforms and finished by exacerbating CCT policies that had a more limited capacity to target poor worker's income over time. Moreover, the author observes that the difficulty

for social policies to tackle multidimensional poverty highlights the importance of employment and labour policies for poverty reduction and income redistribution. Likewise, Sehnbruch (2012) notes that the discussion on the Ethical Wage in Chile showed a political reluctance to intervene in the labour market due to a policy approach in Concertación governments where labour market inequalities were solved using social policies. Consequently, the case of the Ethical Wage shows several interesting lessons for the debate on the relationship between social policies and wage policies. First, this case reaffirms the idea of more bounded wage policies when social policies are perceived as successful, even though in reality CCTs are decreasingly effective. Second, the debates on the Ethical Wage show either conscious or unconscious preferences of elites to not intervene in the labour market. In that sense, the reluctance to discuss collective bargaining reforms could imply a more structural societal LMEs vision, more difficult to overturn, beyond even government political characteristics.

Summing up, this section identifies two additional elements in the wage policy-making in Chile and Uruguay that affect wage policies expansion. A first issue is the relevance of the economic imperative for wage policy-making. In particular, this section discussed the influence of economic imperatives in the decision making of ruling left-wing coalitions to have more active or passive wage policies. Finally, this section also discussed the relevance of the analysis of social and wage policies connections. Moreover, the case of the Ethical Wage debate in Chile gives a great opportunity to discuss the relationship between social and wage policies, and how the former condition the latter. Furthermore, this case highlights how the decision making of left-wing coalitions for using both policies is influenced by economic imperatives. Parallel to these elements, another issue linked to how wage policies can be expanded to informal employees such as domestic workers, will be discussed in the next section.

2.4.3. Informality and domestic workers: new responses of wage policy

This section discusses the expansion of wage policies for domestic workers in Uruguay and Chile. The debate highlights the expansion of wage policies, particularly collective bargaining in Uruguay, to an employment category with informal characteristics. This evidence challenges the argued difficulties of including informal workers in social and labour policy

expansion due to class barriers and insider-outsider problems. This evidence also gives particular importance to the “constituency-coordinated” government intention to expand wage policies, even beyond trade unions original agendas.

The nature of the Latin American productive structure has generated high levels of informal employment. In particular, the structure of production and employment in the region has been characterized by its dualism (Infante, 2018). On the one hand, a capital-intensive sector driven by commodities creates relatively smaller amounts of jobs with formal employment conditions. On the other hand, the regional production structure has been characterized by having a larger sector focused on the local market that produces the most jobs, largely informal in terms of their working conditions. As a result, the scope of socio-economic policies is more limited in terms of their impact and the institutional capacity of the state to implement policies (Schneider and Soskice, 2009; Holland and Schneider; 2017). Furthermore, the redistributive capacity of Latin American states through labour market policies is narrow due to the low levels of union density and collective bargaining coverage that result from a largely informal labour market.

The informality of employment in Latin America has generated various effects both on the political dynamics of labour policies and on the regulatory capacity of governments in labour markets. Informality has also influenced the flows of employment within the labour market, generating connections between formal and informal employment. Regarding the political dynamics of labour policies, Schneider and Karcher (2011) argue that labour informality in the region is an element that influences both the low skill levels and short job tenure that are observed in the labour market. In this context, a dynamic is created in which small, politicized unions exert pressure to maintain the labour benefits of formal workers, limiting the possibility of expanding labour benefits for informal workers. On the other hand, the high informality of employment also restricts the legal enforcement capacity of labour policies, limiting the framework of action of regulatory bodies and the capacity to implement policies aimed at formalizing employment (Lee and McAnn, 2013). Finally, during economic crises or periods of contraction during the economic cycle, informal employment in Latin America serves as a sector to which formal workers transits without necessarily going to unemployment (ILO, 2018a). In that sense, informal employment absorbs formal employment during economic crises. Moreover, the transferences between formality and informality of

employment can produce wage policy connections, such as the minimum wage that generates a lighthouse effect in the income of the informal sector (Lemos, 2009).

Although the informality of employment in Latin America is an element that affects labour and wage policies, the region has undergone several transformations in terms of both the composition of employment and the impact and focus of its labour policies. Indeed, during the cycle of economic growth between the mid-2000s and the beginning of 2010s, the region experienced the creation of employment, above all formal, in an unprecedented process at the regional level, resulting in that formal employment was higher than formal employment for the first time (ILO, 2018a). This result was generated both by the creation of formal salaried employment, as well as by the approach of broadening the coverage of contributory and non-contributory social security, which benefited workers in both the formal sector and the informal sector (ILO, 2018b). In turn, several countries in the region, especially in South America, strengthened their oversight capacity and effective implementation of the legal enforcement of labour policies (ILO, 2018a). On the other hand, the arrival to power of several left wing and centre-left governments influenced the extension of social and labour policies in the region, generating spaces to include informal workers in these policies (Huber and Stephens, 2012; Garay, 2017). As a result, during the period of the pink tide governments, both formal employment and the impact and institutionalization of labour policies increased (ILO, 2018a). The scope of labour policies was also extended to both formal and informal workers (Garay, 2017).

A clear example of these discussions is the expansion of labour policies for domestic workers in Latin America (ILO, 2018a and 2018b). Representing 14.3% of female employment in 2012 (ILO, 2013), the domestic service sector in Latin America has facilitated the entrance to the labour market of women with low education, no labour experience, poor qualifications and a lack of social networks (Valenzuela and Mora, 2009; Blofield, 2012). Traditionally associated with young women who migrate from rural to urban areas, the domestic service sector has become a more urban phenomena lately (Abramo, 2004). Furthermore, this sector is characterised by a high proportion of working poor and an overrepresentation of indigenous and afro-descendent women (Valenzuela and Mora, 2009; Blofield, 2012). Conceptually similar to other remunerated jobs with formal employment relations, the characteristics of domestic work, especially in developing countries, are closer to informal employment in

terms of labour standards and social status (Rosemary, 1997; Anderson, 2002). The precariousness of domestic work appears in the form of long working hours, low pay, restricted labour mobility, reduced social security coverage and limited enforcement of labour norms. In that sense, even though there is an employment relation between employer and employee that should be formal, given the precarious working conditions and cultural stigmatisation, domestic work has been seen as an informal category. Thus, domestic work appears to be a type of hybrid employment category (Valenzuela and Mora, 2009).

In Latin America, domestic work provides a sound basis for a theoretical debate on how wage policies can be extended to informal workers. Despite domestic workers wages have been at the bottom of the Latin American pay scale, salary levels for this occupational category have improved consistently vis-a-vis the regional average (ILO, 2013). Valenzuela (2010) notices that the rise can be related to the minimum wage increase in several countries and the growing demand for domestic work associated with higher female participation in the labour market. However, even though the salary for women in the sector has improved, it is still far below the average wage for women (ILO, 2013). As discussed in the chapter on policy-making processes, Chile and Uruguay reoriented their labour market policies in the 2000s during moderate left governments, increasing minimum wages substantially (ILO, 2012) in a process that also included domestic workers in both countries.

However, as discussed before, Uruguay and Chile followed different wage policy processes for domestic workers. On the one hand, since 2005 Wage Councils in Uruguay re-established inter-sectorial collective bargaining, progressively including more informal groups, such as domestic workers (Mazzuchi, 2009; Loustaunou, 2010). Furthermore, in the case of the domestic service sector, collective bargaining was institutionalised through the participation of the housewives' league as employer representatives, and domestic service unions organised in the 1990s and 2000s (Mazzuchi, 2009; Mazzuchi, 2011; Batthyány, 2012). As a consequence of such institutional arrangements, employers and workers in the sector have participated in several collective bargaining instances, in an un-precedented process in Latin America (Batthyány, 2012). On the other hand, Chile experienced a more limited and slow process to modify minimum wages for domestic workers. Velasquez (2014) points out that a minimum wage for domestic service was legally established in 1993 as 75% of the national minimum wage. In 2008, the Chilean government decided to eliminate this gap, increasing

the domestic service minimum wage in the period 2009-2011 to parity with the national minimum wage. Consequently, the national real minimum wage per hour increased by 28.7% between 2000 and 2011 while the domestic service real minimum rose by 71.6% in the same period (Ibid).

The evolution of wage policies in Uruguay and Chile for domestic workers challenges several ideas about possible struggles when expanding social policies for informal workers. The standard literature has highlighted the difficulties that the expansion of social policies to informal workers produce, especially when class barriers among middle class workers and informal workers emerge (Hunter and Sugiyama, 2009; Garay, 2017). Likewise, similar insider-outsider problems have been discussed in the minimum wage and collective bargaining literature when unionised workers are reluctant to include more informal workers in wage policies (Gautié et al., 2010; Grimshaw and Bosh, 2013). However, Garay's (2017) recent analysis on social policies in Latin America shows that under conditions of high electoral competition and organised demands from informal workers, alliances of insiders and outsiders can extend social policies to the former. Consequently, the expansion of minimum wages for the domestic service sector in Uruguay and Chile, and particularly the implementation of collective bargaining for domestic workers in Uruguay, show evidence that the inclusion of informal workers in wage policies can follow a trade-union-like agenda as well. Furthermore, the policy-making process and outcomes that produced the expansion of wage policies for domestic service in Uruguay is a new and interesting object of analysis that can confirm the pattern of insider-outsider alliances to extend socioeconomic policies. The Uruguayan government's decision to create an infrastructure for the collective bargaining in the sector, going beyond the original trade union agenda is particularly important.

2.5. A brief discussion of the variables and the model to analyse wage policy-making

The previous theoretical discussions generate several elements that are important for the analysis of wage policy-making in Latin America. On the one hand, the existence of diverse connections between minimum wages and collective bargaining offers a subject of study that has an impact on poverty, income distribution and policy interaction with social policy. Moreover, the discussion of the integration between collective bargaining and minimum wage policy lacks a linkage to political variables that can explain changes in wage policy over

time. The inclusion of political variables to analyse wage policy is also part of a broader debate on path dependence or path departure policy processes in different VoC structures. In addition, recent discussions on the expansion of social policy in Latin America address the importance of the party character of ruling coalitions, the existence of legislative muscle to facilitate policy reforms and institutional legacies that distribute power among different actors. Despite the contribution of this literature, I argue that even though the logic of using political variables for studying wage policy is necessary, the three dimensions should also be more elaborated for use in analysing wage policymaking.

2.5.1. Reshaping institutional legacies

In particular, I am reframing the institutional legacy variable to include not just the impact of these legacies in terms of power distribution (Pribble, 2013) or the direct impact on the institutional framework of the labour market (Grimshaw et al., 2014) but also as part of a broader connection with the ethos that remains in the path dependence of socioeconomic policies in LMEs structures. In addition, I include a specific connection between the process of implementation of liberal policies and democratic transitions that happened in the 1980s and 1990s as a way to understand the PMP of wage policy. Therefore, on the one hand, I address the existence of different democratic transitions that affected the linkage between ruling coalitions and trade unions (Chapter 4) and facilitated/made difficult the possibility of achieving legislative majorities (Chapter 5). On the other hand, I explicitly introduce the existence of an EGI that is part of the narrative that could deter/support the expansion of wage policy. Moreover, I also introduce the connections between social policy and wage policy and how their interaction is shaped by the incidence of EGI in government's preferences. All these elements are discussed extensively in Chapter 3.

2.5.2. Party linkage to trade unions

I also introduce a direct connection between ruling coalitions/parties and trade unions as a variable that defines government's preferences for wage policy. In that sense, I address that the importance of the linkage of ruling coalitions/parties to trade unions agendas should be directly established when analysing wage policymaking. Moreover, I am stating a typology based on this linkage, where ruling coalition/parties with strong linkages to trade union agendas will prefer the expansion of both collective bargaining and minimum wages whilst

governments with soft linkages will prefer the use of minimum wages over collective bargaining. Finally, no/weak linkage coalitions/parties will prefer a passive use of both collective bargaining and minimum wages. To establish this typology I argue that the variable party linkage requires more dimensions to define the strength of the linkages with trade unions. For that purpose, I argue that the participation of trade unions in the Legislative and Government branches is a signal of commitment to trade union agendas. Therefore, there is a direct relation between the strength of the ruling coalitions/party linkage to trade union agendas and their openness to include trade union-related individuals in both branches. I also include a second dimension linked to the prelevance in the coalition of parties/groups who also have important linkages to business. Therefore, when the prelevance of such parties/groups is higher, the coalition has to deal with implicit transactions to balance both trade unions and business demands, particularly collective bargaining reforms. The third dimension is linked to the existence of veto actors at government and legislative levels. Accordingly, the strength of the linkage to trade union agendas is also expressed in the level of alignment inside the government and in the legislative. Therefore, when the ruling coalition/party linkage is strong, there is an alignment between officials for expanding wage policy inside the Ministry of Labour, between the Ministry of Labour and the Ministry of Economy/Treasury, and between representatives from government and the legislative branches. Conversely, alignment at these levels tends to decrease when the strength of the ruling coalition/party linkage is soft or no/weak. These aspects are discussed in depth in Chapter 4.

2.5.3. Legislative participation

I am also introducing legislative participation as a variable to measure the political muscle that ruling coalitions have to implement reforms in the legislative. This variable is different compared to the electoral competition variable used in other studies on social policy expansion in Latin America. In particular, I argue that there are several problems with the strategic forward-looking approach attributed to legislators and political parties for negotiating the contents of social policy reforms. On the one hand, the use of the present legislative composition (t) seems to function better than the idea that governments and legislators are strategically manoeuvring based upon electoral results in the next period

($t+1$). On the other hand, electoral competition does not differentiate between the discussion of policy reforms at the beginning, middle or end of a legislative period. In that regard, the timing of the introduction of a reform proposal for social policies and the political horizon for its discussion seem to play a relevant role in the discussion of the reforms contents. To address these issues, I introduce the variable, legislative participation, that includes the legislative composition in each presidential period. This variable is organised in three categories: legislative minority, not-embedded majority and embedded majority. Accordingly, when a ruling coalition faces a minoritarian legislative position it needs to negotiate the content of wage policy. On the other hand, when trade unions have low legislative participation, the ruling coalition has a not-embedded majority that implies a lower likelihood of implementing trade union agendas. Finally, an embedded legislative majority implies a high participation of trade unions. Consequently, in this case the coalition's majority is very likely to implement a trade union agenda for wage policies. I discuss all these elements in detail in Chapter 5.

2.5.4. A model for analysing wage policy-making

Finally, as I discussed in detail in Chapters 1 and 6, I propose a model for analysing wage policy-making. Moreover, I use the expansion of wage policy as the dependent variable, legislative participation and the party linkage to trade unions as independent variables and institutional legacies as an intervenient variable. In this model, party linkage functions as the variable that establishes the preference of a ruling coalition whilst legislative participation is the variable that determines the likelihood to translate this preference into policy. Therefore, party linkage establishes the preferences for expanding both minimum wages and collective bargaining (strong linkage), minimum wages (soft linkage) or none (no/weak linkage). On the other hand, legislative participation defines the likelihood from low (minority), medium (not embedded majority) and high (embedded majority). These variables are influenced by institutional legacies. In particular, institutional legacies influence legislative majorities, the importance of an EGI for shaping wage policies and the preference for using social policy and wage policy as complements. The interaction of party linkage and legislative participation define the final outcomes of wage policy. As a consequence, the combinations of these variables go from extremes where a strong linkage and an embedded majority implies that the expansion of wage policy is implemented whilst a no/weak linkage with legislative

minority will end in a passive use of both minimum wages and collective bargaining. I discuss the structure of the model and how it operates in Chapter 6 based on the cases of Chile and Uruguay.

Chapter 3. The impact of institutional legacies on wage policy in Chile and Uruguay

This chapter analyses the influence of institutional legacies on wage policymaking. According to different approaches to the analysis of wage and social policies, institutional legacies are seen as the institutional infrastructure that define how actors of a specific area interact, are bounded and have influence in the setting of those policies (Bosch and Grimshaw, 2013; Grimshaw et al., 2014; Castiglioni, 2005; Pribble, 2013). Even though these approaches are important for the understanding of socioeconomic policymaking, there are limitations to their explanatory capacity for wage policymaking. Thus, in industrial relations (Bosch and Grimshaw, 2013; Grimshaw et al., 2014) the institutional setting for wage policymaking is treated as an exogenous factor that shapes how trade unions and employers bargain. Consequently, this literature does not discuss the dynamics of the interaction of trade unions and business elites with the political system to influence wage policy reform proposals. On the other hand, the literature on the political economy of social policy in Latin America (Castiglioni, 2005; Pribble, 2013) points to the effect of institutional legacies on the distribution of power among stakeholders and how it sets the need for policy reforms. In particular, Pribble (2013) highlights that institutional legacies establish the demands for policy changes and the agendas of stakeholders to interact with the political system. Accordingly, Pribble observes that the characteristics of ruling coalitions and the legislative muscle of these coalitions are the dimensions through which the constituency agenda of reforms linked to institutional legacies could be implemented.

In spite of the contribution of the literature of the political economy of social policy to operationalising the connection of policy legacies with political dimensions, this literature does not directly use other elements that configure policy legacies. Moreover, as many studies point out (Smith et al, 1994; Weyland, 1996; Weyland, 1998; Oxhorn and Ducatenzeiler, 1998; Stokes, 2001; Przeworski, 1995; Linz and Stepan, 1996), Latin America's policymaking in the 1980s and 1990s was influenced by the implementation of liberal reforms that promoted pro-market policies and the extension of democratisation processes all over the region. Therefore, the democratic transition process occurred parallel to the

implementation of pro-market policies that positioned economic growth and economic stability as key determinants for policymaking. In particular, Linz and Stepan (1996) use a typology to highlight how the political muscle of dictatorships constrained democratisation processes in order to protect their policy legacies. Moreover, these authors identify levels of loyal or disloyal democratic transitions, with Uruguay (loyal) and Chile (disloyal) being extreme cases. As Linz and Stepan point out, the military regime in Chile represents a disloyal democratic transition that established reserve domains that gave pro-military regime supporters a high veto power. Consequently, the reforms during the democratic transition were constrained (Sehnbruch and Siavelis, 2014; Luna, 2015; Fairfield, 2015). Conversely, in Uruguay the constitution previous to the military regime was reinstated, allowing all parties to participate in the political arena, without restrictions to the policymaking of socio-economic policy (Linz and Stepan, 1996; Luna, 2015). Whilst in Chile pro-market policies continued after the return of democracy due to a constitutional path dependence lock-in (Sehnbruch and Siavelis, 2014; Luna, 2015), in Uruguay pro-market policies depended on an unconstrained policy-choice of democratically elected governments (Luna, 2015). As I discuss in chapter 4, the weakened position of trade unions during the implementation of pro-market reforms set an agenda of wage reform but its implementation depended on the ruling coalition's party linkage to trade union agendas. I also discuss in chapter 5, how the democratic transitions of both countries have a clear effect in legislative participation, constraining the option to introduce reforms in Chile until 2005 and allowing this implementation in Uruguay throughout the democratic transition. I frame institutional legacies beyond the sphere of just wage policies but linking these policies in the political and economic legacies related to the type of democratic transition and the success of liberal policies for economic growth.

Another element linked to institutional legacies derives from how these legacies set the agenda of progressive coalitions based on economic growth imperatives (EGI). The democratic transition occurred parallel to the pre-eminence of pro-market policies in the region with different levels of success in terms of economic growth. Therefore, for my analysis I include a dimension related to the importance of EGI, defined as the need to put growth above all things as a legitimacy strategy. As many studies argue (Neumark and Wascher, 2006; Freeman, 2008; Doucouliagos and Stanley, 2009; Chletsos and Giotis, 2015) EGI has been used

as a deterrent for wage policies. At the same time, particularly during democratic transitions, EGI produces a path dependence that affects the expansion of wage policies. I argue that institutional legacies that are seen as economically successful, shape the willingness of coalitions with a soft linkage to trade union agendas to use active wage policies. As the case of Concertación in Chile shows, EGI is used as a deterrence to activating collective bargaining in order to include the demands of pro-business legislators and pro-growth government officials inside the coalition. Conversely, as the case of Frente Amplio in Uruguay shows, when institutional legacies are not seen as having a positive impact on economic growth, coalitions that have a stronger linkage with trade unions do not use EGI as a deterrence to expand wage policy.

Finally, the decision-making to use social policy instead of wage policy is also linked to EGIs. As recent discussions in industrial relations highlight (Bosh and Gimshaw, 2013; Grimshaw et al., 2014), the decision making to use active wage policy is linked to social policy. Accordingly, social policies effective in tackling poverty could deter the active use of wage policies. Moreover, focalised social policies are seen as less problematic to the EGI than wage policies. As the case of Chile shows, when social policies imply avoiding interventions in the economic structure and EGIs are important for a coalition, this coalition tends to use social policy instead of wage policy to tackle poverty and distributive goals. Conversely, when the EGI is less important for a coalition's decision-making, as in the case of Uruguay, those coalitions tend to use active wage and social policies as complements.

This chapter analyses the institutional legacies and their influence in wage policymaking. This chapter discusses the differences between Concertación and Frente Amplio, looking at the evolution of wage policy through time. In particular, this chapter highlights how the different democratic transitions influenced the trends of wage policy during the 1990s and 2000s. This chapter also discusses how these institutional legacies are linked to economic growth and how EGI affects coalition's preferences for wage policies. This chapter also finds that when the EGI is important, coalitions tend to prefer focalised social policy instead of active wage policy. To discuss these topics, this chapter is organised as follows. Section 3.1. discusses the influence of the EGI in Chile under Concertación whilst section 3.2. shows the lesser influence of the EGI in Uruguay under Frente Amplio. In both cases the analysis focuses on the historical evolution of wage policy, the impact of the EGI on wage policymaking and the influence of

the EGI on the use of wage and social policies. Finally, section 3.3. makes a comparative analysis.

3.1. Chile and the Economic Growth Imperative as a legitimisation strategy for wage policy

This section analyses the trajectories of wage policy in Chile from Pinochet's dictatorship and throughout the democratic transition with Concertación. In doing that, this section highlights the predominant use of minimum wage policy and the stagnant low levels of collective bargaining that continued in the post-dictatorship democracy. In addition to the characteristics of the disloyal transition that influenced the party linkage and the legislative participation discussed in chapters 4 and 5, this section argues that wage policy followed an EGI that emerged from the democratic transition. Moreover, the EGI, expressed Concertación's commitment to secure economic stability post dictatorship. Consequently, the EGI helps to explain Concertación's unwillingness to implement collective bargaining reforms. Additionally, the EGI also influenced the preference of the centre-left wing coalition for social policy instead of wage policy to target poverty and distribution goals.

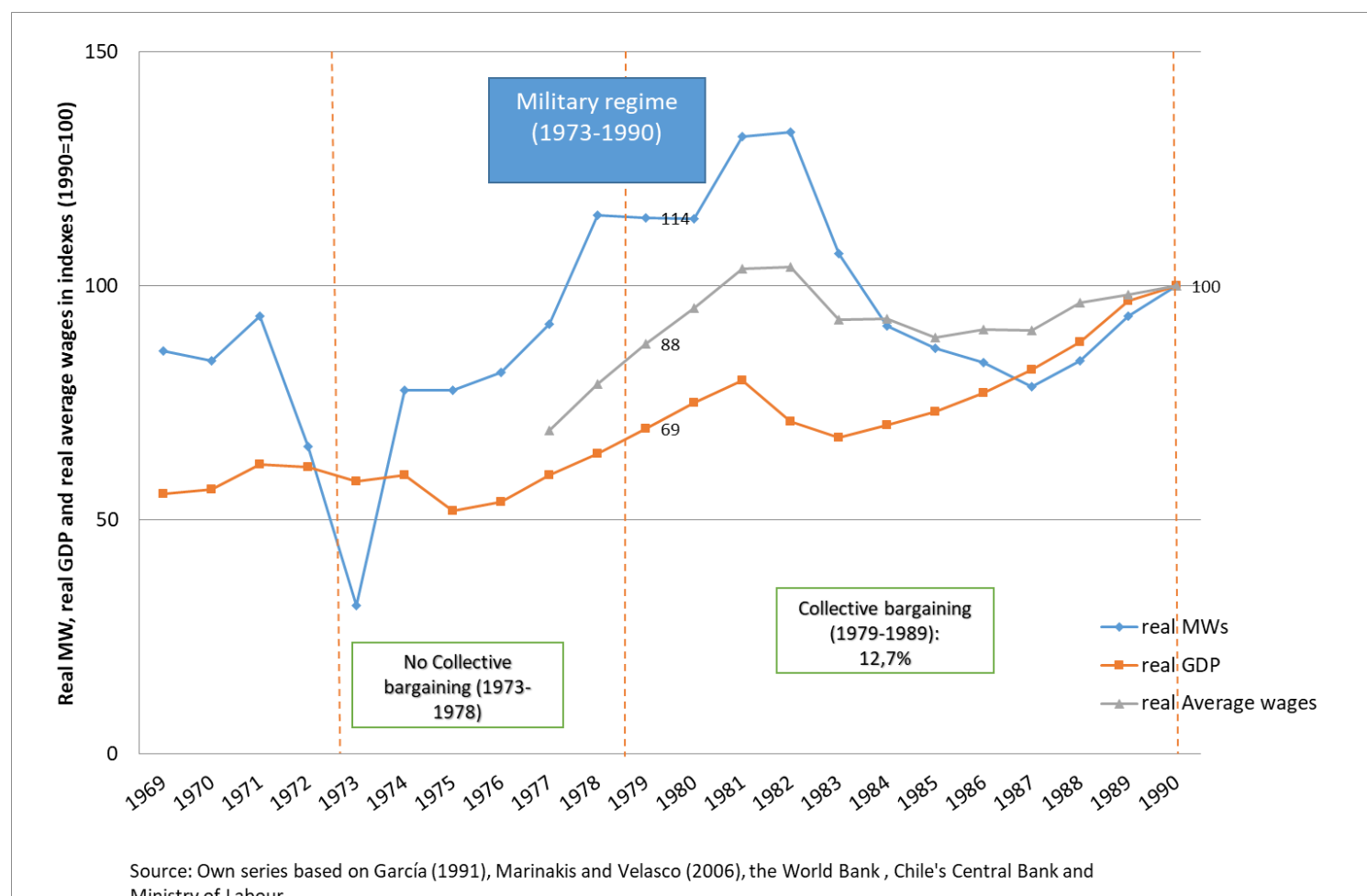
3.1.1. Wage policy in Chile: A brief story from dictatorship to Concertación

This section analyses the history of wage policy from the dictatorship to the democratic governments of Concertación. In doing so, this section shows the important differences between the implementation of active minimum wage policy and the stagnant levels of collective bargaining in the post dictatorship democracy. These outcomes are linked to the pivotal impact of Pinochet's reforms of the labour market in 1979. Moreover, these reforms were a key part of the economic legacy of the dictatorship. In that sense, the difficulties in implementing collective bargaining reforms due to the democratic transition that shaped Concertación's preference for an active use of minimum wage policy and low levels of collective bargaining.

The evolution of wage policy in Chile since 1973 has experienced two clear patterns from dictatorship to democracy. As figure 3.1. shows, during the military dictatorship that ruled the country from 1973-1990, in a context of economic instability in the 1970s and the political prosecution of Allende's supporters, including trade unions, the only operative wage policy was the minimum wage in the first 5 years (1973-1978). This was a result of the military

Junta's banning of both trade unions and collective bargaining, as they were scapegoated as being among the elements that triggered the military coup. Even though the real minimum wage experienced a significant drop during the first year, minimum wages were used as an active wage policy during the second half of the 1970s. In the same period, the military regime implemented a series of economic reforms that shifted the economic structure of the country; privatising state companies and services, supporting an export-led economy and reducing economic costs linked to labour and tax policies. In particular, Plan Laboral, a labour reform implemented in 1979, established a new institutional framework for industrial relations in the country (Cortazar, 1983; Campero and Valenzuela, 1984; Ruiz-Tagle, 1985; Rojas Miño, 2007; Caamaño Rojo, 2008). The nature of this reform was the promotion of individual rights instead of collective rights in the labour market. In doing so, the most important change was to constrain collective bargaining at company level, leaving no possibility of negotiation at sector or industry levels. The idea was to promote wage negotiation related to a firm's productivity and their capacity to pay salaries.

Figure 3.1. Evolution of real minimum wages, real GDP and real average wages in Chile. 1969-1990. In Indexes (1990=100)



Plan Laboral was designed by José Piñera, then Minister of Labour and one of the Chicago boys that were the intellectual substance of Pinochet's pro-market reforms (Rojas Miño, 2007; Caamaño Rojo, 2008). During the designing process of Plan Laboral, Piñera and other economists pointed out that not only should the negotiation process be constrained at company level, it should also stimulate competition. For this purpose, other negotiating groups at company level were encouraged to participate in the collective bargaining process. This included the promotion at firm level of more than one union and the possibility of other negotiating groups being part of the collective bargaining.

Besides other unions, negotiating groups¹ would appear only during the collective bargaining process as an opportunity for workers to negotiate without being part of a trade union (Campero and Valenzuela, 1984; Ruiz-Tagle, 1985; Rojas Miño, 2007; Caamaño Rojo, 2008).

¹ These groups were literally called "negotiating groups" in the new Act.

Thus, several organised workers –more than one union and/or independent worker’s groups - would negotiate competitively and, following the logic of the policymaker, would obtain better outcomes in the collective bargaining process. The results of such negotiations could be extended discretionally by employers to other employees, depending on the employers’ preference. Consequently, if benefits obtained by negotiating groups were higher than those achieved by unions, such agreements could be extended to non-unionised workers.

These changes in the collective bargaining structure were complemented by the bureaucratic pattern of the collective bargaining process with specific deadlines for each stage (Rojas Miño, 2007; Caamaño Rojo, 2008). Thus, any misstep in the collective bargaining procedure was penalised with a restart of the whole process. In addition, the reform in the collective bargaining scheme was also complementary to other industrial relations modifications that, in the words of their authors, tried to protect companies’ normal activity. The structural reforms introduced in Plan Laboral included a firm’s ability to replace workers during strikes. Furthermore, the law also allowed workers who were opposed to the strike to continue working.

Disguised as a way to promote competition and productivity in the collective bargaining process at the firm level (Piñera, 1992), the objective of Plan Laboral was the construction of an institutional framework to erode unions’ capacity to negotiate collectively and, ultimately, to decrease union affiliation (Campero and Valenzuela, 1984; Ruiz-Tagle, 1985; Rojas Miño, 2007; Caamaño Rojo, 2008). The new structure of wage negotiations facilitated a fragmentation of collective bargaining by constraining its scope at company level and by allowing different groups to negotiate. In practice, significant benefits obtained by negotiating groups during the collective bargaining process dissuaded employees from being part of unions. Moreover, collective bargaining was also discouraged with a bureaucratic procedure and trade unions’ collective actions were intentionally diminished as well, due to the limited results of strikes. These institutional outputs were reinforced by political action that repressed and prosecuted unions. As a consequence, after the implementation of Plan Laboral in 1979, unionisation and collective bargaining rates remained low during the military regime. On the other hand, minimum wages also experienced a decrease in real terms, particularly after the economic collapse in 1982 linked to the debt crisis that affected Latin American countries (Figure 3.1.). Therefore, both minimum wages and average wages

dropped in real terms during the first half of the 1980s and experienced a slight recovery during the second half of that decade when the Chilean economy recovered.

The 1980 Constitution reinforced the idea of a pro-markets approach to employment relations that would maintain a pro-capital institutional framework in the labour market (Silva, 1995; Rojas Miño, 2007; Caamaño Rojo, 2008; Garretón, R., 2010; Garretón, M. A., 2015). Moreover, Pinochet's constitution's objective was to ensure the durability of neoliberal reforms introduced during the dictatorship. In addition, the political and socioeconomic reforms were implemented without opposition and were built to remain as pillars for the neoliberal model even in democracy. Furthermore, considering the reforms' lack of legitimacy, dictatorship policymakers foresaw serious problems in maintaining the core of the model in democracy and in preventing major changes to the reforms.

To prevent a reversal of these reforms, the Constitution incorporated a referendum in 1988 to decide the permanence of Pinochet as President with a possibility of multiple re-elections (Silva, 1995; Garretón, R., 2010). In the case of a negative referendum result, the Constitution established a detailed path for democratic transition. This path included the presence of Pinochet as Chief Army Commander and, from 1998, as a permanent senator, bringing him immunity; elections for Congress and Senate representatives with a new electoral system that ensured parity between pro-Pinochet parties and Pinochet's opposition in both chambers; and the inclusion in the Senate of "designated senators" who represented different institutions, especially branches of the military.

Even though Pinochet was defeated in the 1988 referendum, the political and electoral architecture designed by the 1980 Constitution had three important effects that shaped policymaking in democracy (Silva, 1995; Caamaño Rojo, 2008; Garretón, R., 2010; Garretón, M. A., 2015). The first effect was dissuasive, preventing radical transformations to the economic model, and was associated with Pinochet's presence in the army. The continued presence of this authoritarian element strongly encouraged democratic authorities and policymakers to articulate moderate changes in the model, negotiating those changes with pro-Pinochet parties and employers' associations that endorsed a neoliberal legacy. The second effect was the practical difficulty of overcoming a legislative parity that would allow significant reforms. The binomial electoral system facilitated an over-representation of pro-

Pinochet parties in the Congress and in the Senate. Moreover, Designated Senators, originally selected by Pinochet, ensured pro-Pinochet parties a majority in the Senate until the first half of the 2000s.

The third effect was the de facto adoption of the neoliberal model during democracy (Garretón, R., 2010; Garretón, M. A., 2015). In the presence of political and electoral constraints, democratic leaders practically adopted the model (Garretón, 2015). Furthermore, the adoption of the dictatorship legacy was also seen as the result of other factors such as the necessity to negotiate with powerful economic groups, considering their position as a fundamental determinant in decision making. In addition, economic growth during the first years of democracy became a value to be preserved and so was the presence of economists that endorsed the neoliberal framework in policy and decision making (ibid.).

The history of the early stages of Chile's democratic transition allows us to understand the problems and constraints that the country's policymaking process faced. In the case of the labour market and wage policy, the return to democracy increased trade unions' expectations, especially regarding how the structure of industrial relations implemented in the military regime would be reformed. On the one hand, at the beginning of the democratic period, minimum wages were low as a consequence of a neoliberal doctrine that maintained minimum wages stagnant in the 1980s to facilitate pro-trade policies and to support employment creation after the 1982 economic crisis. Therefore, unions and low-income workers had great expectations of a significant minimum wage increase with the arrival of democracy. This idea was complementary to the objectives of poverty reduction that the new democratic government proclaimed.

On the other hand, unionisation rates and unions' capacity to negotiate salaries had been eroded as a consequence of the institutional framework founded by the Plan Laboral (Salinero et al., 2006; Rojas Miño, 2007; Caamaño Rojo, 2008; Dussailant, 2008). The expectations of trade unions focused on changing the collective bargaining process, and eliminating anti-union barriers that reduced trade union bargaining power. At the beginning of the democratic transition, trade union demands included expanding collective bargaining processes at sector and industry level, elimination of both negotiating groups and workers replacement during strikes, reduction of collective bargaining process bureaucracy, among others. Consequently,

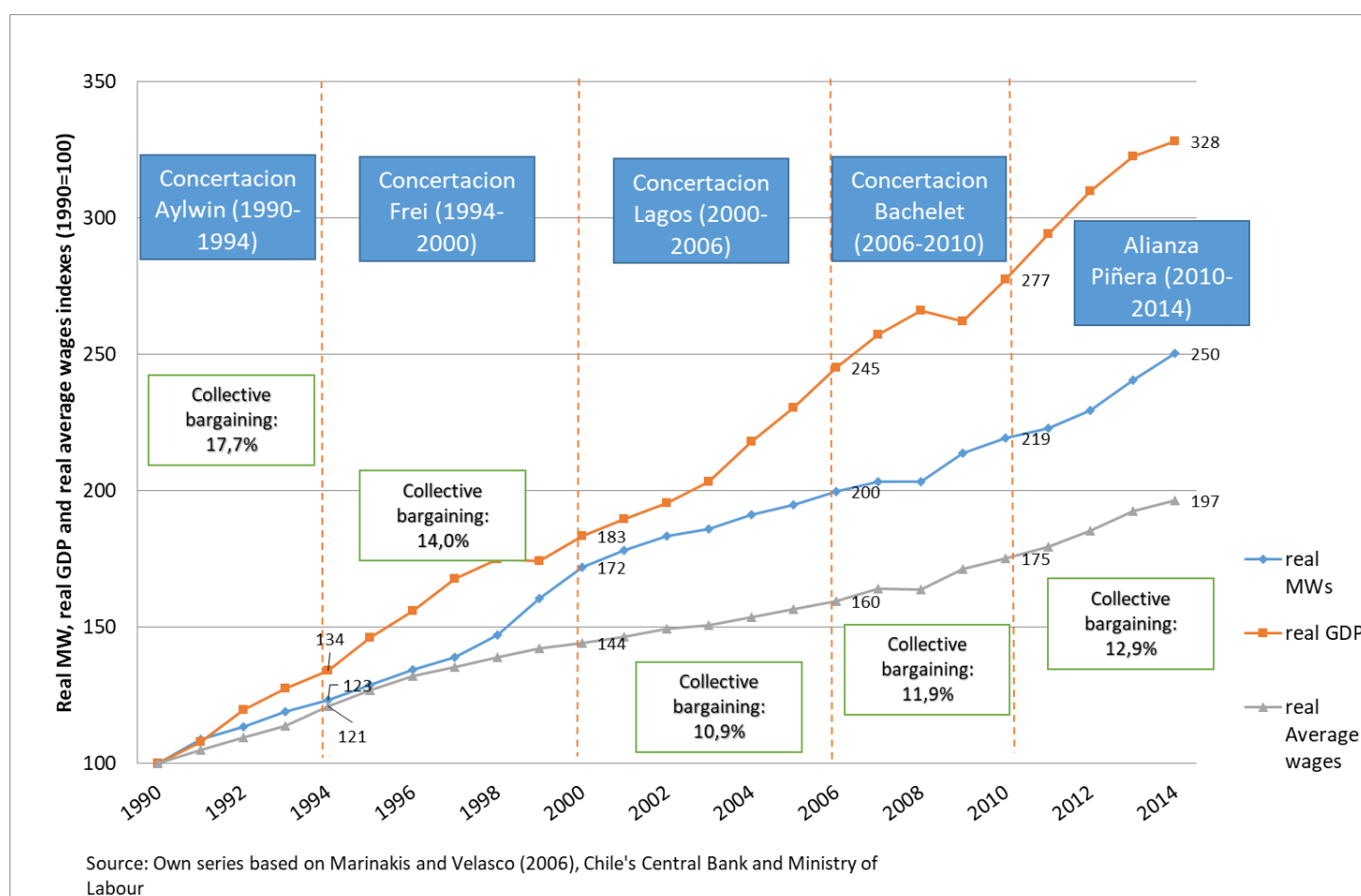
trade union expectations clearly challenged pro-Pinochet parties and employers' associations that supported the neoliberal model.

On the other hand, pro-Pinochet parties exercised their veto power, impeding important changes at the core of the industrial relations institutional framework. At the same time, business elites exerted their relevant lobbying and power resources to prevent the reversal of the industrial relations framework. Thus, pro-Pinochet supporters from economic and political spheres pressed Concertación to avoid revisions of the industrial relations structure (Garretón, R., 2010; Garretón, M. A., 2015). Pro-Pinochet groups also opposed active minimum wage policies (Rojas Miño, 2007; Caamaño Rojo, 2008). However, economic and political supporters of the neoliberal legacy were more flexible to accepting adjustments to minimum wages considering the low minimum wage levels in the 1980s. Business elites also supported Concertación's poverty reduction objectives. Therefore, facing important demands for labour and wage policy reform, neoliberal forces decided to be fiercely opposed to changes to Plan Laboral and less obstructive to minimum wage raises.

In the context of pro-Pinochet supporter opposition to changes in industrial relations, wage policy in the 1990s followed the pattern of an active use of minimum wage and stagnant low levels of collective bargaining (Marinakis and Velasco, 2006). As figure 3.2. shows, minimum wages experienced a rise of 23% in real terms during the first Concertación government of president Aylwin (1990-1994). During this period, collective bargaining also experienced a rise compared to the levels observed during the military regime. However, the absence of collective bargaining reforms during Aylwin's government explained the drop of collective bargaining throughout the 1990s. This trend of active minimum wage rises and low levels of collective bargaining continued during president Frei's (1994-2000) Concertación government. Moreover, the active use of minimum wages was reinforced at the end of the decade when Law 19564 was approved in May 1998. According to this law, minimum wages would be instantly adjusted each year from 1998 to 2000 using a formula that included an annual forecast for inflation and productivity plus what was called a "redistributive bond" to improve the redistribution due to low levels of minimum wages in the 1980s (Infante et al., 2003; Velásquez, 2009). This improvement in the minimum wage contrasted with the inability of Concertación to legislate on industrial relations during Frei's presidency. The government's intention to legislate on collective bargaining had a tortuous path that implied two years of

discussion of the proposal in the Congress and the Senate between 1995 and 1997. When the discussion passed to the Senate, pro-Pinochet parties that had majority in the Senate, showed strong opposition to the proposal. However, the proposal was reformulated in an agreement between the Minister of Labour, Jorge Arrate, and the designated senator, William Thayer, president of the Labour Commission of the Senate. The Thayer-Arrate agreement facilitated the inclusion of flexibility clauses but the chance to open the legislative debate in the Senate was boycotted by Concertación senators (Escobar, 1999; Córdova, 2005). The debate on the proposal was re-opened by Concertación in 1999, during the second round of a close presidential election. However, the proposal was stopped in the Senate by pro-Pinochet parties and designated senators in a triple draw that impeded a discussion on reform (Córdova, 2005).

Figure 3.2. Evolution of real MWs, real GDP and real average wages in Chile. 1990-2014. In indexes (1990=100)



The different patterns of minimum wage and collective bargaining at the end the 1990s had important consequences for wage policymaking in the 2000s. The triannual adjustment substantially increased minimum wages in the context of an economic recession characterised by a real GDP decrease of 1% in 1999 and a rise in unemployment rates up to 10%, doubling the decade's average unemployment rate. Even though there was not a proven direct link between employment deceleration and minimum wage increase, the idea of such a connection appeared in the economic establishment (Corbo and Tessada, 2003; Cowan et al., 2004). As a result, Concertación policy-makers were concerned when unemployment rates remained at high levels during the first years of the 2000s. Consequently, from the 2000s the predominant idea for minimum wage adjustment was an annual adjustment based on inflation plus average gross national productivity (Marinakis and Velasco, 2006; Velásquez, 2009).

The idea of having a less active wage policy in the 2000s is also linked to other political issues. Ricardo Lagos was the first socialist president elected since Salvador Allende. Moreover, Lagos came to power after a difficult presidential election, when he won in a ballotage with the narrowest margin of all the Concertación governments. Thus, the presidential electoral result was linked to the economic crisis that affected Chile at the end of the 1990s (Sehnbruch and Siavelis, 2014). Consequently, Lagos had several political, economic and symbolic issues that constrained his government's wage policy decision making. Thus, under Lagos minimum wages had a trend of smoother increases (compared to the 1990s) and the lowest levels of collective bargaining in democracy (Marinakis and Velasco, 2006).

This pattern of wage policymaking continued under president Bachelet. Even though since the mid-2000s the Chilean economy benefited from the commodities boom, particularly in the mining sector, there were no major changes in the adjustment formula of the national minimum wage and no proposed reforms for collective bargaining. As a consequence, minimum wages and collective bargaining followed similar trends to Lagos' government. However, Bachelet's administration was differentiated by the introduction of specific wage policies for domestic workers and a general discussion of labour market conditions under the "Ethical Wage Commission"². In that sense, Bachelet included changes in wage policymaking

² Comisión de Sueldo Ético.

to benefit informal workers and started a discussion that highlighted the importance of fair wages.

Before Bachelet, domestic workers earned a minimum wage equivalent to 75% of the national minimum wage. In 2008, Bachelet introduced a formula that progressively increased domestic workers' minimum wages in the period 2009-2011 up to the national minimum wage level. In doing that, the government increased domestic workers' minimum wages at a higher rate than the national minimum wage. These rises in domestic workers' income, beyond the purpose of social justice, had clear objectives in terms of their pensions and poverty reduction.

The discussion on an Ethical Wage began in Chile in 2007, when the secretary of the Catholic Bishops' Conference argued that low wages in the country were unethical. This happened after a mining workers strike, where subcontracted workers called for equal treatment for all workers. As a consequence of the public discussion, President Bachelet called for a multidisciplinary Commission that discussed Chilean labour market conditions in order to propose strategies to achieve "ethical wages". The Commission made several recommendations on labour market policies to improve labour productivity but no recommendation for any reform in the labour market. Instead, the Commission proposed an "ethical" income, using social policy as the mechanism to compensate the poorest households. The recommendations by the Commission were used by Bachelet to promote a legislative agenda, that led to a law approved under president Piñera's term (2010-2014). However, no changes were implemented in the collective bargaining structure during Bachelet's first government, in what was considered as a wasted opportunity to debate collective bargaining reforms (Sehnbruch, 2012; Sehnbruch and Siavelis, 2014). Furthermore, the episode was seen as a repetition of a logic that privileged social policy instead of an intervention in the labour market through wage policy.

This section discussed the continued presence of an EGI shaping the nature of the democratic transition in Chile that affected the evolution of wage policies. The analysis showed a pattern of moderate minimum wages during the dictatorship and an active use of minimum wages in democracy. On the contrary, collective bargaining coverage, excepting at the beginning of the democratic transition, showed almost no change from the military regime to the Concertación

governments. Moreover, Pinochet's reforms in the labour market in 1979 through Plan Laboral had an important role as part of the economic legacy of the dictatorship for wage policy in democracy. Furthermore, the difficult democratic transition and the contradictions inside Concertación shaped the inability of the left-wing coalition to introduce collective bargaining reforms. In addition, this inability also explains the preference of the Concertación governments for an active use of minimum wage policy as a compensation for the lack of success in introducing collective bargaining reforms.

3.1.2. The importance of the economic growth imperative for wage policy decision-making

This section focuses on the analysis of the importance of economic growth as an imperative in the wage policy decision making of Concertación in Chile. As is discussed throughout this section, the Chilean centre-left coalition tended to use the negative macroeconomic effect of wage policy more frequently as a deterrent to using more active collective bargaining. The importance of economic growth as an imperative was the result of the "economic legitimacy" that the Chilean centre-left coalition needed, in order to show its capacity to have as good economic performance as Pinochet's dictatorship. The EGI was also linked to the necessity to improve relationships with business elites. In order to do that, the internal structure, with an independent Central Bank and a powerful Ministry of Finance, contributed to consolidating a pro-economic growth policy approach, a narrative that influenced wage policymaking, deterring the possibility of collective bargaining reforms in the left-wing coalition.

The importance of economic growth and economic stability is highlighted as one of the major concerns that Concertación had during its periods in government (Sehnbruch and Siavelis, 2014). The continuity of economic growth was an imperative for the Chilean centre-left coalition that needed social recognition of its capacity to have effective economic policies. That was particularly significant during the first part of the democratic transition, since Pinochet's economic reforms had been labelled as "successful" for having produced a period of economic growth grounded on an export-led model during the second half of the 1980s. Additionally, the idea of a positive economic legacy from Pinochet contrasted with what was perceived as economic turmoil during Allende's Unidad Popular government, in which many Concertación members and parties had participated (Interview #18, Interview #22, Interview #23, Interview #24). Consequently, when Concertación came to power, right-wing parties and

many business representatives saw Concertación as a threat to the Chilean economy. As a former minister (Interview #23) observes:

“we were extremely cautious. We knew we had the responsibility of conducting the economy. We had to show that we were also good on it. It was not just to manage a good political transition. The economy was as crucial. Or even more”.

Thus, Concertación, as a coalition, was as concerned about its economic performance as about the policy implementations to facilitate the democratic transition. Moreover, economic growth as an imperative was a topic that generated more consensus between parties than other policies. As a Congress member during that period notes (Interview #17), “our relation was ambivalent. On labour issues there was polarisation. But on economic growth issues there was dialogue.”

The search for legitimacy of Concertación members in government and the legislative for formulating wage policy increased the importance of the EGI. Moreover, the need of validation was not just about how well economic performance was compared to that during the dictatorship but also about how the economic growth trend could continue if presidents of more left-wing parties in the coalition came to power, as was the case with Ricardo Lagos and Michel Bachelet. The first two periods where Concertación was in power (Aylwin and Frei) covered the 1990s, when the country experienced an average annual GDP growth of 6.1%. Both Christian Democrat presidents were seen as a guarantee of economic continuity based on the technocratic approach of Concertación governments and the nature of the Christian Democratic Party (CDP) (discussed in chapter 4) which was more open to SMEs and the opinions of business elites. In that sense, there were two clear episodes when Concertación pursued legitimacy in its economic management. The first episode is linked to the transition between the dictatorship (Pinochet) and the first democratic government (Aylwin). The second episode was more internal, with the arrival to power of Ricardo Lagos in 2000, the first socialist president since Salvador Allende and the first non-CDP president in Concertación. As a consequence, the economic imperative shaped the relationship with trade unions and business elites. As various respondents point out, on the one hand, the search for economic legitimacy linked to the EGI stimulated a more active contact with business elites, something that was evident during Lagos’ presidency (Interview #14, Interview #19, Interview

#22, Interview #23, Interview #24) when Chile faced a period of slow economic growth. On the other hand, the pursuit of economic legitimacy generated a containment strategy with trade unions. As several interviewees noted (Interview #1, Interview #16, Interview #19, Interview #24), with the exception of Frei's government, Concertación had a dual relationship with trade unions that, in the end, shifted the discussion from collective bargaining reforms to individual labour rights reforms. Therefore, the decision to contain trade union demands limited the economic impact of possible wage policy reforms and allowed Concertación to gain economic legitimacy with business elites and in public opinion.

Another element linked to Concertación's EGI was the internal policymaking structure to ensure good economic performance. As Sehnbruch and Siavelis (2014) point out, Concertación built an institutional infrastructure to facilitate and reinforce the continuity of exports and market driven economic growth inherited from the dictatorship. Thus, the independence of the Central Bank in 1990, the continuity of the Ministers of Finance and the Ministry of Finance's dominant role in the discussion of social, economic and labour policies, were part of Concertación efforts to build institutional support to its commitment to economic stability. The importance that the Ministry of Finance gained with Concertación was not just in terms of the funding for any policy initiative but also for the technical-economic approach that underpinned socioeconomic policy decision-making. In that sense, the relevance of the Ministry of Finance was key for labour policies, including wage policies. Different respondents (Interview #14, Interview #17, Interview #18, Interview #23, Interview #24) observe that the Ministry of Finance was essential and more relevant than other ministries, including the Ministry of Labour, during all Concertación governments. As discussed in chapter 4, the pre-eminence of the Ministry of Finance was key in the decision-making of wage policy, both to the public and private sectors. In that sense, due to Concertación's EGI, the initiatives to include collective bargaining reforms were generally deterred through the dominant position of the Ministry of Finance.

This section discussed the importance of the EGI in the wage policy decision-making of Concertación in Chile. As is discussed, the EGI played a symbolic role for Concertación, particularly as a manifestation of the Chilean centre-left coalition's need for economic legitimacy in order to validate its economic capacity to improve on Pinochet's model. Furthermore, the EGI also facilitated Concertación's interlocution with business elites. The

EGI was present in all Concertación governments, facilitating consensus in the coalition and enabling the construction of an institutional pro-economic growth infrastructure. As a consequence, the EGI became a powerful symbolic discourse that distanced the Chilean centre-left coalition from the trade union agenda. Moreover, the EGI generated a closer relationship with business elites, deterring the implementation of collective bargaining reforms.

3.1.3. Concertación's preference for social policies

This section analyses the recent discussions in the industrial relations field that highlight the importance of the relationship between wage policy and social policy. In particular, these discussions address the crowding out effect on wage policies caused by effective social policies, in limiting the willingness of governments to actively use wage policies. As the experience of Concertación in Chile shows, centre-left wing coalitions with soft linkages to trade union agendas are more reluctant to use active wage policies when their social policies are successful in tackling poverty. In that sense, the discussion in this section highlights the importance of the crowding out effect that social policies have on wage policies, particularly in a centre-left coalition like Concertación with a strong EGI.

Another aspect related to the characteristics of Concertación that shaped wage policy is the success that the centre-left coalition had in implementing social policies. As some studies (Gautié et al., 2010; Vaughan-Whitehead, 2010; Grimshaw and Bosch, 2013) argue, the use of social policy could condition the way governments activate wage policy. Accordingly, more successful social policies could limit the use of wage policies, considering that the target (i.e. reducing poverty) if achieved through social policies, makes the activation of wage policies less appealing. This discussion is important for the analysis of Concertación's wage policy decision-making, considering the successful reduction in poverty from 38.6% in 1990 to 15.1% in 2009. In that regard, the premise that the positive impact of social policies produces a crowding out effect in wage policies, suggests that the effectiveness of social policies has a dissuasive effect in wage policymaking.

In the Chilean case, the Concertación government's increasingly significant effectiveness in poverty reduction produced different visions about the use of different social and labour policies. First, the success in poverty reduction legitimised the use of social transfers and

transformed these policies into a top priority for continuing with the policy goal of decreasing poverty. In that sense, the success of social policies highlighted their relevance, reducing that of other policies like wage policies. As several interviewees note (Interview #1, Interview #2, Interview #9, Interview #13, Interview #14, Interview #19, Interview #21), the success of social policy produced a crowding out effect in wage policy, bounding the willingness to activate wage policies. As one interviewee (Interview #19) observes, “we knew we were very effective in reducing poverty. I think this success, in a way, made us being more careful about using wage policies actively”. This perception was shared by another respondent (Interview #9) who notes that, “we never had this in mind explicitly but, retrospectively, it should have conditioned how we operated wage policies”.

A second element is how the influence of social policy on minimum wages changed throughout the democratic transition. Minimum wages were used at the beginning of the transition as a tool for poverty reduction, considering that minimum wages were very low (Marinakis and Velasco, 2006). In that sense, minimum wages were a tool to improve income in poor households where low wage workers lived. However, the success of social policy throughout the four Concertación governments and the significant adjustments minimum wages experienced in the 1990s, shifted the dynamics towards a more moderate use of minimum wages in the 2000s. As one important advisor in the Ministry of Labour (Interview #1) remarks,

“at the start of the transition we used minimum wages also as a tool for poverty alleviation. Poverty was high and minimum wages were too low (...) I think it changed once social policies became so effective (in reducing poverty)”.

In that sense, the EGI influenced the decision to have a more moderate approach towards the use of minimum wages in the 2000s whilst the active use of poverty reduction policies continued during that decade.

Another element in the relationship between poverty reduction and wage policy in Chile during the Concertación governments is the postponed debate on income distribution that the success of poverty reduction produced. Even though the Chilean coalition was very successful in both reducing poverty and generating economic growth, Concertación’s administrations were characterised by their limited capacity to improve income distribution

(Sehnbruch and Siavelis, 2014). Additionally, the success of poverty reduction somehow installed in Concertación a dichotomic policy pattern. Furthermore, the Concertación governments realised that the deficits associated with the primary source of income inequality (the labour market) generated bad Gini coefficients before and during the democratic transition (Campero, 2007). However, when considering the economic stability and the successful poverty reduction, wage policy remained secondary throughout the Concertación governments compared to the continuity of social policy for poverty reduction. Therefore, the influence of the success of social policy in wage policymaking was also a result of Concertación's preference for policies tackling poverty reduction over policies focused on reducing income inequality, such as collective bargaining.

A clear example of the predominance of poverty reduction policies over income inequality reduction through wage policy was the discussion of wage policy during the first Bachelet term. As aforementioned, in the year 2008 president Bachelet organised a commission to discuss the possibility of introducing an "ethical wage" in Chile, following a social demand triggered by the Catholic Bishops Council. As several respondents (Interview #1, Interview #4, Interview #13, Interview #19) note, the discussion about wage policies, particularly about collective bargaining, was avoided during the commission's debate in order to use social policy to tackle insufficient incomes in the labour market. These respondents observe that discussion about low wages and the problems of income distribution in the labour market was bypassed, with the logic that an intervention in the Chilean labour market could have produced a distortion. Instead, the option to address inequalities and low wages shifted towards the use of social policy for low income families, in what was called the ethical income law. As one member of the commission (Interview #4) observes, "there was a discussion on collective bargaining but without agreement (among participants). (...) At the end prevailed the thesis of amending income distortions in the labour market through social policies". Some respondents (Interview #1, Interview #13, Interview #19) consider that the outcome in the commission highlighted the persistence of the idea that social policies were a better tool than wage policies. An interviewee 19 (Interview #19) observes, "that was the clear example of how persistent was the idea of correcting labour market distortions through social policies. (...) That was not just a problem of a prevailing liberal approach. It was also an idea shared in Concertación".

This section analysed recent discussions in the industrial relations field that highlight the importance of the relationship between wage policy and social policy. In particular, these discussions address the crowding out effect on wage policy that effective social policy has in limiting the willingness of governments to actively use wage policy. As the experience of Concertación in Chile shows, centre-left wing coalitions with an economic growth imperative are likely to be more reluctant to use active wage policy when their policies for tackling poverty are successful. This dynamic functions in two ways. First, successful social policies over time decreased the willingness of Concertación to actively use minimum wages. Second, the success of social policy strengthened the preference for poverty reduction instead of improvements in income distribution through wage policies. In that sense, the discussion in this section highlights the importance of the crowding out effect on wage policy of social policy that is associated with the importance of the EGI for a soft party linkage like Concertación.

3.2. The lower influence of the EGI in Frente Amplio and its impact for active wage policies

This section discusses the evolution of wage policy in Uruguay from the dictatorship until the Frente Amplio governments. In doing that, this section shows that the constant decrease of minimum wages continued from dictatorship through to the democratic period until 2004. In addition, collective bargaining was banned during the military regime, activated in the first democratic government and deactivated in the 1990s and first half of the 2000s. These trends changed when Frente Amplio came to power in 2005, activating both minimum wages and collective bargaining. This section shows that these changes in wage policy were influenced by the democratic transition and the lower importance of the EGI in the Uruguayan left-wing coalition. Furthermore, the lesser relevance of EGI also influenced the preference of Frente Amplio for the active use of both social and wage policies.

3.2.1. Wage policy in Uruguay: A brief history from dictatorship to Frente Amplio

This section analyses the history of wage policy in Uruguay from the dictatorship to the Frente Amplio governments. Similar to Chile, trade unions and collective bargaining were banned during the military regime whilst minimum wages decreased. Even though the first democratic government reimplemented collective bargaining through Wage Councils, this policy was deactivated in the 1990s when the country implemented liberal policies.

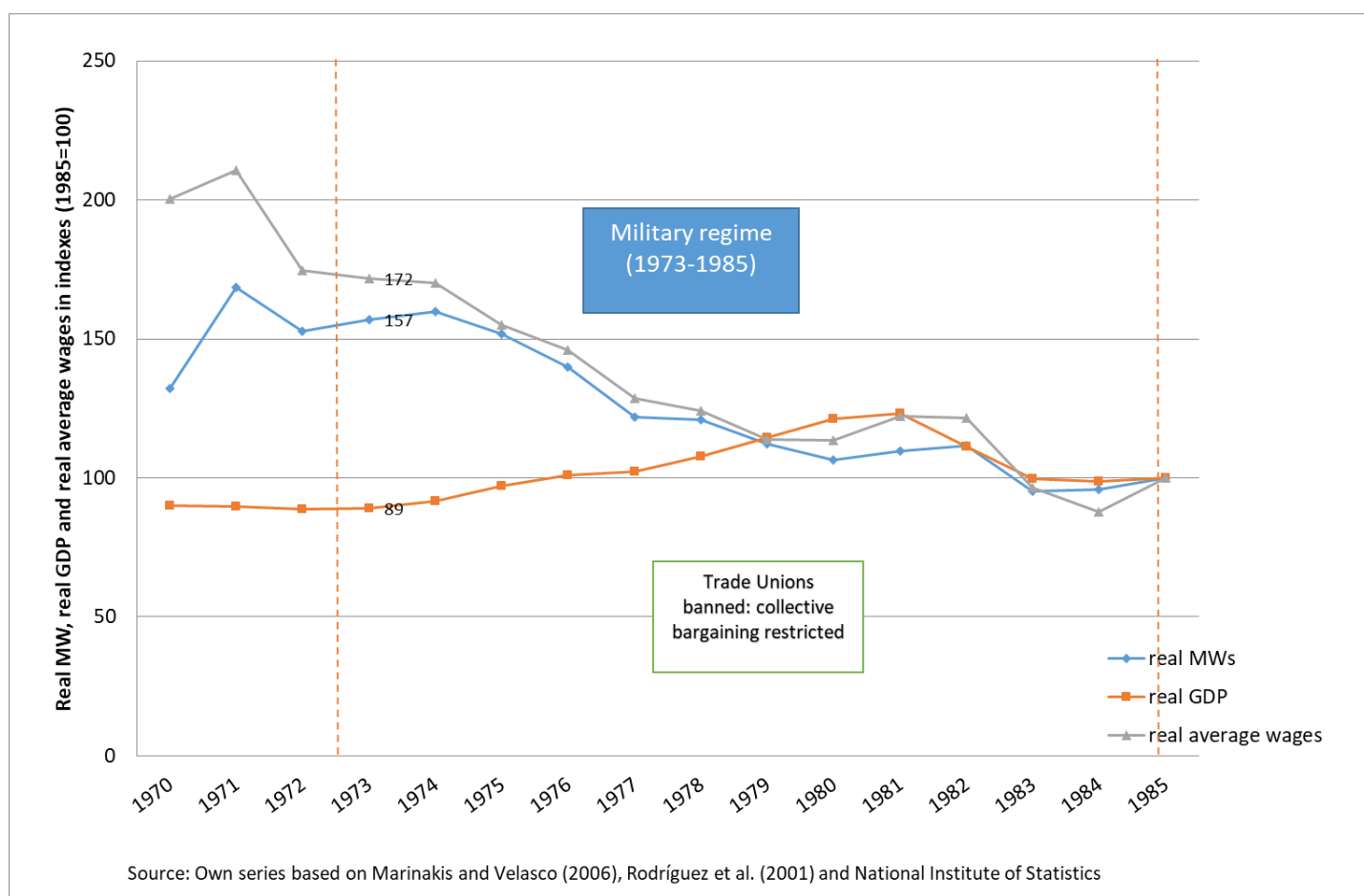
Additionally, minimum wages continued decreasing throughout the 1990s until the mid-2000s. These policy trends changed when Frente Amplio governed the country from 2005 and activated minimum wages and collective bargaining. Moreover, collective bargaining was extended to informal workers such as domestic workers.

In the case of Uruguay, the history of wage policy was shaped by Wage Councils that established collective bargaining at industry and sector levels (Loustaunau, 2010). Starting in 1943, Wage Councils were designed to define minimum levels for wages for different job positions. Moreover, Wage Councils were originally composed of seven members; three from the government, two from employers and two from unions, and were used in three sectors: retail, industry and private services. In addition, each sector negotiated independently from others, following an ethos of a more anarchist union orientation that privileged independent union's actions in Uruguay. This orientation also affected the relationship of trade unions with labour institutions and influenced labour laws and policies. As a consequence, trade unions are not obliged to register with any government agency. Thus, there is no official data on union affiliation (Mazzuchi, 2009). On the other hand, minimum wages were not institutionalised in Uruguay until 1969, the same year Wage Councils stopped being convened (Supervielle and Pucci, 2008; Furtado, 2006). Furthermore, minimum wages were implemented during the presidency of Jorge Pacheco (1967-1972), characterised by economic stagnation and a fierce opposition of the Uruguayan union federation, Convención Nacional de Trabajadores (CNT).

Considering that Wage Councils worked as an institution to establish wage floors, the implementation of a statutory minimum wage tried to decrease unions' bargaining power. In 1969, the executive branch issued a decree to freeze prices and salaries, suspending the salaries councils months later by law 13,720 and the creation of the Commission on Productivity, Prices and Revenues. After the coup d'etat (June of 1973) norms were dictated that conferred exclusive competence to the Executive authority for the fixation of the remunerations of the private activity. Other laws that regulate collective bargaining and strike rights that have been considered limiting of trade union rights are also approved. The arrival of both a civilian and military government from 1973 to 1985, reinforced the non-use of Wage Councils and also banned unions. During the Uruguayan dictatorship, the wage policy scheme changed from a collective bargaining-based salary negotiation towards a minimum wage

(Supervielle and Pucci, 2008; Furtado, 2006). On the other hand, considering the effect of the inflationary process that affected Uruguay in the 1970s and 1980s, real wages diminished (Figure 3.3).

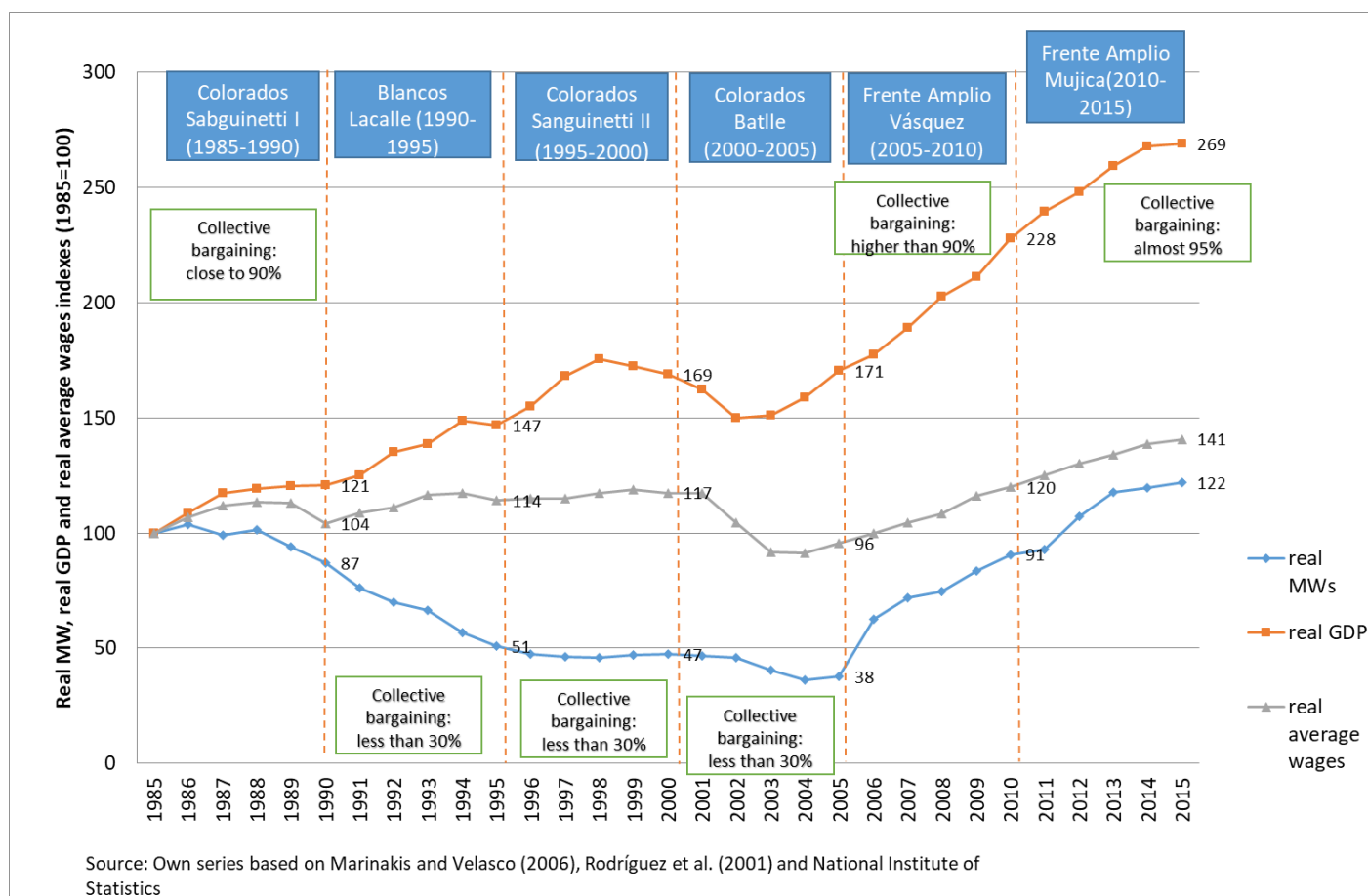
Figure 3.3. Evolution of real minimum wages, real GDP and real average wages in Uruguay. 1969-1985. In indexes (1985=100)



The dynamics of wage policy during the military regime changed in the first democratic government of Julio María Sanguinetti (1985-1990). In March 1985, with the return of democracy, the laws enacted during the dictatorship over the matter of collective bargaining and union regulation were overturned through Law 15,738. Wages deterioration and unions' pressure to restore Wage Councils were part of the policymaking approach for the new Government when democracy was reinstated in 1985. Therefore, during the democratic transition, Wage Councils –the Uruguayan collective bargaining system- was reimplemented and used in tandem with the minimum wage for the first time. However, due to the link

between minimum wage levels and some social security benefits, minimum wages continued decreasing during the first Sanguinetti government (Furtado, 2006). Conversely, Wage Councils continued during the whole Sanguinetti presidency, with a coverage close to 90% (Figure 3.4.). Additionally, the reimplementation of Wage Councils was also linked to the democratic transition and the absence of economic legacies from the Uruguayan dictatorship (Linz and Stepan, 1996). In that sense, during the military regime there were no changes to the Wage Councils law and no political constraints for the participation of any party or actors when democracy was reinstated. At the same time, the discussions on the re-implementation of democratic institutions, including Wage Councils, included trade unions and Frente Amplio, the left-wing coalition banned during the dictatorship. Moreover, both business elites and trade unions participated in the Concertación Nacional Programática (CONAPRO) organised in 1984 to discuss the programmatic implementation of democratic institutions (Roade, 1985). As a consequence, the reactivation of collective bargaining through Wage Councils was seen as a symbol of compromise with the agreements achieved in CONAPRO, particularly with trade unions (Instituto Cuesta Duarte, 2014).

Figure 3.4. Evolution of real minimum wages, real GDP and real average wages in Uruguay. 1985-2015. In indexes (1985=100)



In the late 1980s and beginning of the 1990s, the inflationary process in Uruguay continued affecting wages and also forced a macroeconomic policy re-orientation (Furtado, 2006; Notaro, 2007; Mazzuchi, 2009). The democratic transition coincided with the arrival of a neoliberal policy setting from the Washington Consensus and implied a deregulatory policy framework. In that sense, the new policymaking was focused on many objectives related to wage policies. Accordingly, inflation control was targeted through a slower wage adjustment, implying a necessity to monitor both collective bargaining and minimum wage. In addition, control of social expenditure was a goal that affected minimum wages because pensions and other social benefits were linked to the minimum wage. Finally, trade agreements and exports competition implied lower wages, which was under way when Uruguay became part of Mercosur in March 1991.

This shift in policy orientation shaped what happened with collective bargaining and minimum wages during the 1990s (Rodríguez et al., 2001; Supervielle and Pucci, 2008). Wage Councils operated until 1991, when the Uruguayan Government decided to stop convoking Wage Councils but allowed collective bargaining for some sectors that wanted collective agreements, like banking. On the other hand, minimum wages were adjusted at a slower rate compared to the 1980s, affecting their importance. As a result, whilst 30% of private employees earned minimum wage or less in 1986, this dropped to 3% in 2003 (Furtado, 2006). Even though the decreasing trends of collective bargaining started during the Partido Nacional government of president Lacalle (1990-1995) they continued throughout the Partido Colorado governments of the second Sanguinetti presidency (1995-2000) and president Batlle (2000-2005). In particular, these trends occurred whilst Partido Nacional and Partido Colorado co-governed from 1995 to 2005 (Luna, 2007; Bogliaccini, 2012). Moreover, Partido Nacional affiliates were Ministers of Labour during that period. As a consequence, even though there was the possibility of discussing a collective bargaining reform between trade unions and business elites during the second Sanguinetti mandate, the lack of a governmental decision to propose such reforms impeded a legislative debate on the matter (Bogliaccini, 2012).

As a result of the trends mentioned above, collective bargaining and minimum wages experienced a declining pattern. Moreover, both wage policies decreased their capacity to have an impact in the wage scale: minimum wages lost their capacity to increase income for the working poor whilst collective bargaining did not increase wages along the wage scale. The 1990s structure of industrial relations and wage policy also had an effect in both union bargaining capacity and union affiliation (Rodríguez et al., 2001; Supervielle and Pucci, 2008; Notaro, 2007; Mazzuchi, 2009). The diminished capacities of collective bargaining and minimum wage were evident when Uruguay faced a deep economic recession from 1998 to 2003 that increased poverty and unemployment rates reached historical highs. At the same time, real minimum wages and collective bargaining reached their lowest levels in a decade (Notaro, 2007). The recession also allowed a possibility for structural changes. Frente Amplio, a left-wing coalition supported by trade unions, appeared for the first time as a real option to challenge traditional parties that were in power throughout Uruguay's republican history (Moreira, 2006; Luna, 2007; Silverman, 2011). Frente Amplio proposed several changes for

both social policy and wage policy. Accordingly, the leftist coalition focused its offer on reinstalling Wage Councils and in applying more aggressive minimum wage policies (Notaro, 2006; Instituto Cuesta Duarte, 2014; Loustaunau, 2010). In addition, Frente Amplio proposed an active use of focalised poverty reduction policies (Castiglioni, 2005; Luna, 2007; Pribble, 2013).

The left-wing coalition came to power in 2005 and immediately started to operationalise its offer (Moreira, 2006; Notaro, 2007; Mazzuchi, 2009; Silverman, 2011). In the first wave of collective bargaining in 2005, 150 sectors negotiated salaries for the base of those sectors' wage scales (Mazzuchi, 2009; Rodríguez et al., 2010; Loustaunau, 2010). From then Wage Councils were convened four times, extending the scope of negotiation to different occupations in each sector and including clauses on possible average increases for each pay scale, along with adjustments of the pay scale floor for sector/occupational groups. In the last wave of negotiations in 2012/2013, 230 sectors had Wage Councils, covering almost 100% of Uruguayan employees, including rural and domestic service workers. Moreover, Wage Councils had a high level of agreement between workers and employers: 90% of collective bargaining was agreed unanimously. The rest were approved by majoritarian agreement between Government and either unions or employers.

To enforce Wage Councils, in 2009 Frente Amplio's first government successfully approved law 18566 that supported collective bargaining and the creation of the institutional structure to support Wage Councils. Moreover, the collective bargaining law was approved establishing a new institutional framework through the Consejo Superior Tripartito (Tripartite Top Council), an executive council composed of Government, employers and union representatives (Loustaunau, 2010). This is responsible for convening Wage Councils, to organise Wage Councils at sector levels and to receive, analyse and facilitate the adjustment figures recommended by the Ministry of Economy for wage negotiation in each sector. Finally, during Frente Amplio's first government, collective bargaining was extended to informal workers, such as rural and domestic workers. In particular, collective bargaining was included in the domestic workers law, 18065 approved in 2006. The law contains a clear mandate to include domestic service workers in Wage Council rounds of collective bargaining, something that formally started when Wage Councils were called in 2008 (Mazzuchi, 2009; Loustaunau, 2010).

The expansion of collective bargaining through Wage Councils was complemented with a 230% rise in real monthly minimum wages from 2004 to 2013 (Furtado, 2006; ILO, 2014). This process was triggered before the leftist coalition took power in March 2005. In December 2004, the previous Government decided to eliminate the link between minimum wage and social benefits, allowing an increase of 58% in the national minimum wage between December 2004 and January 2005. That change was reinforced during 2005 by the left-wing Government, producing an increase of 70% in real minimum wages that year.

Minimum wage and collective bargaining in Uruguay followed similar patterns from 2005 with a new Government characterised by its strong linkage with the trade union agenda. Even though minimum wage increases were significant, minimum wages were not very important for the pay scale as a consequence of the initial low levels. Accordingly, whilst Wage Councils boosted collective bargaining and impacted on almost all employees and sector pay scale floors, the minimum wage helped to improve basic income for those workers that were not covered or considered by collective bargaining, like some employees with informal employment relations (Loustaunau, 2010). Therefore, the industrial relations model reinstated by the leftist Government tried to return to the historical origins of Uruguayan wage policy where collective bargaining was predominant. In doing that, the leftist coalition reinstalled Wage Councils through a new law and an institutionalised body that has to continue with collective bargaining even if there are political changes and a new Government. As a consequence, collective bargaining is the predominant force in wage policy, complemented by a minimum wage policy that supports those employees that have more informal employment relations.

This section discussed the evolution of wage policy in Uruguay from the dictatorship to the Frente Amplio governments. As this analysis shows, minimum wages decreased as collective bargaining was banned during the dictatorship. The democratic transition allowed the re-implementation of collective bargaining through Wage Councils in the second half of the 1980s. However, the neoliberal approach towards wage policy implied a deactivation of Wage Councils in the 1990s and the continued decreasing trend of minimum wages. However, when Frente Amplio governed Uruguay from 2005, minimum wages and collective bargaining were actively reimplemented. Moreover, the institutional framework of collective bargaining was reinforced and extended to informal workers, such as domestic workers.

3.2.2. Economic growth facilitated collective bargaining reforms in Uruguay

This section analyses the incidence of economic growth in wage policymaking during the Frente Amplio governments. As is discussed throughout this section, the Uruguayan left-wing coalition implemented active wage policy in a context of economic growth without a conflictive economic stability discourse. Furthermore, Frente Amplio policymaking explicitly made both macroeconomic and wage policy objectives compatible, using the former to prop up the latter. Additionally, Frente Amplio used this policy approach after several years of economic crisis, that would have been seen as a deterrent for policymaking in a more pro-business policy approach with a strong EGI. Consequently, the case of Frente Amplio in Uruguay brings important evidence to support the argument that when the linkage with trade unions is stronger, coalitions use wage policy actively, with independence from an EGI discourse.

Economic growth played an important role for the arrival and continuity of Frente Amplio in power but was not used as an imperative for their wage policymaking. Besides, the reluctance of Frente Amplio to use an EGI for its wage policy is linked to the crisis that preceded Frente Amplio's arrival to power. From 1999 to 2002, the GDP in Uruguay decreased -15.3% as a consequence of the ripple effects of the economic crisis in Argentina and Brazil. The economic crisis that Uruguay faced at the end of the 1990s and beginning of the 2000s produced a shift in Uruguayan elections, seeing Frente Amplio receive the support of voters disenchanted with traditional parties (Luna, 2007). Consequently, the previous economic crisis reduced pressure on Frente Amplio to maintain a pro-market policy approach that was considered a failure.

The economic crisis allowed Frente Amplio to develop its narrative of social justice in order to a) promote the left-wing coalition's reform agenda and b) reach government. Accordingly, Frente Amplio's discourse in opposition during the 1990s and 2000s highlighted the problems of the capitalist structure but with a more moderated tone compared to the discourse Frente Amplio used in the 1970s and 1980s (Luna, 2007). However, the economic crisis that followed a decade of liberal reforms in Uruguay reinforced the limitations and the contradictions of the economic liberalisation process that Frente Amplio denounced (Interview #32, Interview #33, Interview #36, Interview #40, Interview #42, Interview #56). As one interviewee (Interview #36) mentions,

“the (economic) crisis revealed all the structural problems that Frente Amplio denounced as a consequence of the neoliberal reforms: growing inequality, social and labour gaps, precariousness. (...) It (the economic crisis) exposed the neoliberal reforms implemented by Blancos and Colorados that affected the economy and the labour market”.

Another respondent (Interview #40) points out that “the economic crisis clearly changed the political mood. We (Frente Amplio) wanted to reach power and gradually we were doing so. But the (economic) crisis precipitated this process of reaching government”. Consequently, the economic crisis did not just shift political support from the traditional parties towards Frente Amplio but also made the reform proposals an imperative to be implemented when the left-wing coalition governed. As one interviewee highlights (Interview #42), “we denounced the unbalance between labour and capital. So, when we reached the government we were conscious of the expectations that we created. (...) We were committed to the reforms but also knew people wanted us to implement reforms soon”.

Whilst the economic crisis triggered a political shift that contributed to Frente Amplio’s coming to power, the economic growth that had benefited Uruguay since the mid-2000s generated positive conditions to produce reforms and activate wage policies. Thus, after the economic crisis reached its lowest point in 2002, Uruguayan GDP started growing at an average annual rate of 6.3% from 2003 to 2010. The positive business cycle was a consequence of higher external demand for commodities that Uruguay produces, generating a boom in those commodity prices and a positive income shock for the country. Furthermore, the intensity of the positive commodities boom allowed Uruguay to be immune to the negative impact of the international financial crisis triggered in 2008. Thus, Uruguayan GDP grew 7.2% in 2008, 4.2% in 2009 and 7.8% in 2010. Even though the positive economic cycle started before Frente Amplio’s came to power, economic growth was robust during Frente Amplio’s first term and had a positive impact, particularly for employment creation and reduction of unemployment rates (ILO, 2011).

Despite economic growth facilitating Frente Amplio’s labour market reforms, there are divergent opinions on how economic growth influenced the left-coalition wage policymaking. In particular, there are two clear positions. On the one hand, a dogmatic approach where

Frente Amplio members claim that reforms on collective bargaining were going to be implemented independently of economic growth (Interview #39, Interview #42, Interview #47). As one respondent (Interview #42) comments,

“sure, it was good to have (economic) growth, it made everything easier, but we were going to make reforms on collective bargaining with or without (economic) growth. (...) Others would have said ‘please, be careful with the reforms because it could affect the economy’. That was the way others reacted in the past. We decided to continue with the reforms without the influence of the neoliberal discourse”.

On the other hand, a group of Frente Amplio members with a more strategic regard, recognise the role that economic growth played to give Frente Amplio a political legitimacy that facilitated labour market reforms. As one respondent (Interview #40) points out,

“economic growth gave us a boost considering that we demonstrated that the economy could be in good shape with us (Frente Amplio). (...) the country was growing but, at the same time, everybody benefited through our policies. Particularly middle and low-income workers”.

There was also another aspect that connected economic growth with the implementation of wage policies, particularly for collective bargaining. Moreover, economic growth rates at economic sector level were directly linked to the structure implemented for Wage Councils, using the estimations of economic growth in those sectors as an indicator to calculate the baseline for wage negotiation. Furthermore, the proposal was the result of a formula that included the current data of productivity for the sector and a forecast of national inflation. As a way to strengthen this structure, Frente Amplio included the direct participation of the Ministry of Economy, that provided a proposal of wage increases for each sector and subsector that negotiated collective bargains using economic data, particularly sectorial GDP growth estimations. According to one interviewee (Interview #36), “the formula provided a technical input that connected economic growth and wages at sector level. Therefore, we built a way to connect economic growth to wages that could be hardly disputed by business representatives and the opposition”.

As discussed in this section, economic growth facilitated the implementation of Frente Amplio's active wage policies. Furthermore, Frente Amplio policymaking integrated both wage and macroeconomic policy objectives, using the former as a reference to organise the latter. Despite this there were different views among Frente Amplio's members on how determinant economic growth was for wage policymaking. Frente Amplio linked economic growth for the base-line bargaining wages during Wage Councils, gaining technical legitimacy. However, this section showed no evidence of a protective approach by Frente Amplio to use an EGI as a deterrent for using active wage policies. In particular, the economic crisis previous to Frente Amplio's coming to power legitimised the left-wing coalition wage policy approach. As a consequence, the case of Frente Amplio brings important evidence to support the argument that when centre-left or left-wing coalitions successfully circumvent the EGI discourse, these coalitions are more likely to use wage policy actively.

3.2.3. A more balanced approach to using active social and wage policies

This section connects the general discussion of the character of left-wing coalitions with the recent discussions in the industrial relations field about the effects of social policy on wage policy. As the case of Frente Amplio illustrates, the national demand for social policies to tackle poverty and the strong linkage with trade unions enforced the willingness of Frente Amplio to actively use both policies. In that sense, the discussion in this section highlights the importance of the crowding-in effect that social policies have on wage policies, when a left-wing coalition has a strong linkage to trade union agendas. Moreover, this section also shows evidence that a coalition with a policy less driven by the EGI tends to use active social and wage policies at the same time.

Another aspect related to the characteristics of Frente Amplio and the policymaking of wage policy in Uruguay is the relationship between social policy and wage policy. As previously discussed, social policies success (or lack thereof) can influence the willingness to use wage policies, limiting or encouraging them. In the case of Uruguay under the Frente Amplio governments, both wage and social policy started from a low level, considering the difficult situation that the country faced during the economic crisis at the beginning of the 2000s. From 2000 to 2004, unemployment rates reached historical highs, real wages dropped -22.1% and urban poverty increased from 10.7% to 20.9% (ILO, 2008; ECLAC, 2008). Therefore, social

demands required an urgent activation of social protection and labour policies to tackle socioeconomic deficits accumulated in Uruguay in the 1990s and early 2000s (Luna, 2007; De Armas, 2006; Castiglioni, 2005). Consequently, expectations on the first Frente Amplio government were extremely high considering that the left-wing coalition had no previous experience in power and that disenchantment with traditional parties was channelled through a clear mandate to reverse socioeconomic and labour market unbalances.

As aforementioned, the recessive context cemented the arrival of Frente Amplio to power in 2005 through a discourse centred around social justice and the need to tackle poverty, inequality and low wages. In that sense, Frente Amplio had a mandate that required an active use of social and wage policies. Moreover, the left-wing Uruguayan coalition government officers and legislators realised that this mandate required fast implementation of social and labour market reforms (Interview #32, Interview #34, Interview #36, Interview #39, Interview #54). As one respondent observes (Interview #36), “poverty had doubled and wages were frozen during the crisis. We knew we had to do something about both issues. (...) We never thought we had to choose between one policy or the other”. Another interviewee (Interview #32) adds that, “both policies were seen as complements. The crisis made it pretty clear that we had to do something to tackle social and labour issues”.

Beyond the context of precarious social and wage indicators that Frente Amplio had to tackle in its first term, the complementary use of social and wage policy was part of the character of the left-wing coalition. Some interviewees (Interview #47, Interview #48) highlight the programmatic nature of Frente Amplio’s labour and social policies, built in association with social movements when the left-wing coalition was in opposition. As one interviewee (Interview #48) observes, “we discussed these topics (social and wage policies) several years before ‘el Frente’ reached government. It was not just trade unions but also other social groups that were mobilised to create an agenda”. Another respondent (Interview #47) notes that,

“we (as trade unions) were concerned about wages, unemployment and job creation. And at same time we were concerned about poverty. That is why we wanted Frente Amplio to introduce wage policies reforms that would benefit poor workers but also social policies that would benefit poor families”.

The complementarity of both social and wage policy did not change throughout the Frente Amplio's governments. In particular, wage and social policies were activated in Uruguay during the period of economic slowdown linked to the international financial crisis of 2008-2009. Even though the effects of the crisis were mild compared to other Latin American countries, there were serious concerns about the impact of economic slowdown on policy implementation (Interview #36, Interview #40, Interview #47). Moreover, in that period both policies were seen as valid policy tools to continue tackling poverty via social transfers and active wage policies. As one respondent (Interview #40) observes,

“you saw how equally important were both (social and wage) policies during the financial crisis. Wage policies sustained internal demand, particularly in low income households, helping the (Uruguayan) economy to deal better with the external crisis. (...) The same happened with social policies. They were useful to continue lowering poverty and expanding social protection”.

As a consequence, the international crisis of 2008-2009 legitimised the use of both social and wage policy as equally important for Frente Amplio.

Finally, the complementary approach to the active use of social and wage policies also resulted in a sustained improvement of income distribution indicators. One of the topics that Frente Amplio highlighted prior to its coming to power was the need to improve indicators of income distribution, which had worsened consistently since the 1990s. Therefore, between poverty reduction and the active increase of wages, the improvement of income indicators was considered an important goal to be tackled using both social and wage policies, and a tax reform implemented in 2007. Thus, the Uruguayan Gini coefficient rose from 0.42 in 1995 to 0.45 in 2005, whilst with Frente Amplio in power the distribution coefficient decreased to 0.42 in 2010 and 0.38 in 2014. As one respondent (Interview #32) notes, “economic growth obviously helped us with (reaching) various goals. We had space to implement collective bargaining and, at the same time, we had resources through taxes to activate effective social policies. (...) the improvement in distributive indicators was evident”. Another interviewee (GB) added that, “we did not differentiate the reduction of poverty, the improvement of labour conditions for workers and the need to improve income distribution. (...) All social and wage policies contributed to those goals”.

This section analysed the influence of successful social policies in the wage policymaking of Frente Amplio in Uruguay. As the case of Frente Amplio illustrates, the national demand for social policies to tackle poverty and the strong linkage between Frente Amplio and trade unions, enforced the willingness of Frente Amplio to actively use social and wage policies, generating a crowding in effect between both policies. Moreover, this policy approach was reinforced over time, particularly when the country experienced an economic slowdown due to the financial crisis in 2009. Additionally, both social and wage policies contributed to the successful improvement of income distribution. Consequently, the discussion in this section provides important evidence that when left-wing coalitions are successful in circumventing the EGI, social and wage policies are seen as complementary and their active use is promoted.

3.3. The importance of institutional legacies on wage policymaking through the economic growth imperative

This section discusses how institutional legacies are part of a broader legacy related to the economic evolution of a country. Therefore, to analyse wage policymaking in Chile and Uruguay, I am expanding the discussion of the available literature, adding the influence of previous economic settings in wage policymaking. Furthermore, I also analyse the influence of previous economic performance in policy decision making when social and wage policies are used to tackle poverty and distributive goals. Using these aspects of the influence of institutional legacies, this section identifies two dimensions linked to the institutional legacies variable. On the one hand, the political dimension defines the distribution of power between trade unions and business elites and how the electoral system allows coalitions to have a majority in the legislative. Both dimensions are discussed extensively in chapters 4 and 5. On the other hand, the economic dimension is defined by two elements: a) the level of success or failure of neoliberal policies and b) the level of success or failure of social policies. In that sense, when pro-market reforms are considered successful in producing sustained economic growth and social policies are successful in reducing poverty, the economic growth limits the use of wage policies, prioritising poverty reduction policies. Conversely, when pro-market policies are considered a failure in terms of economic growth and social indicators, a left-wing coalition is less influenced by the economic growth imperative. As a consequence, these coalitions tend to use active wage and social policies, being successful in both reducing poverty and improving income redistribution.

Throughout this chapter the discussion on how institutional legacies influenced wage policymaking in Chile and Uruguay highlighted the importance of this variable to the distribution of power between trade unions and business elites. However, as was previously analysed, the context in which institutional legacies were set is important to understanding the path dependence that wage policy had during the democratic transition. In particular, the type of democratic transition and the implementation of pro-market policies in the 1980s and 1990s played a role in wage policy in democracy. As discussed in sections 3.1.1. and 3.2.1., Chile and Uruguay had elements of wage policy that had continuity from the military regime to democracy. In the case of Chile, even though the arrival of Concertación changed the dynamics of minimum wages, collective bargaining experienced a small raise at the beginning of the 1990s and recovered the same levels as under the dictatorship in the 2000s (table 3.1.). The inability of Concertación to introduce reforms for collective bargaining was influenced by the democratic transition but also by the contradictions inside the coalition, in particular the need to assure economic growth and economic stability. Additionally, the inability to reform collective bargaining shaped the preference of Concertación governments for an active use of minimum wage policy as a compensation for trade unions throughout the 1990s. However, the lower levels of economic growth also moderated the adjustments of real minimum wages in the 2000s. Finally, even though there was a possibility to discuss collective bargaining reforms at the end of the 2000s, the Ethical Wage commission proposals bypassed this debate proposing the same poverty reduction policy approach used by Concertación instead of the activation of collective bargaining.

Table 3.1. Chile: real minimum wages, real average wages, inflation, GDP and collective bargaining coverage. 1974-2014.

Government	Period	Type of wage policies	Adjustment rate (annual average variation for the period)				Collective bargaining coverage (average for the period) 2/
			Real Minimum Wages	Real Average Wages 1/	Real GDP	CPI	
Military regime: banning of trade unions and collective bargaining	1973-1978	MW as the only wage policy without collective bargaining	22.7	n.a.	1.1	274.8	n.a.
Military regime: implementation of labour reforms	1979-1989	Reintroduction of collective bargaining 3/	-1.4	2.2	4.0	22.5	12.7
Concertación (Aylwin)	1990-1994	Adjustment of MW during start of democratic transition	6.3	3.7	7.2	19.0	17.7
Concertación (Frei)	1994-2000	Triannual formula for MW. No collective bargaining reform	5.1	3.8	5.4	7.0	14.0
Concertación (Lagos)	2000-2006	Moderate MW adjustment post formula	3.3	1.6	4.8	2.8	10.9
Concertación (Bachelet)	2006-2010	Ethical wage commission. Domestic workers MW rises to equalise national MW	2.4	2.3	3.3	4.5	11.9
Alianza (Piñera)	2010-2014	Moderate adjustment of MW	3.0	2.9	5.3	2.4	12.9

Source: Historic data series from the World Bank, Chilean Employment Direction and Central Bank, García (1991), Cortázar (1997) and Durán (2009)

1/ Adjustments for real average wages are obtained from Central Bank series starting in 1977.

2/ Percentage of employees covered by collective bargaining. Employment Direction provides data for collective coverage rate that is calculated through collective bargaining agreements approved in a year. This series calculates collective bargaining coverage estimating an endurance of collective agreement of two years in average. Therefore, the data officially provided is multiplied by 2 (years of average coverage).

3/ Collective bargaining is reintroduced in 1979.

On the other hand, the case of Uruguay showed a continuity of decreasing minimum wage policies from dictatorship to democracy until 2005. As table 3.2. shows, minimum wages experienced a constant depreciation in real terms from 1973 to 2005, even though the economy experienced periods of both medium or moderate growth. The dynamics of collective bargaining also changed, with the reactivation of collective bargaining at the beginning of the democratic transition and the discontinuity of Wage Councils in the 1990s and first half of the 2000s. In that sense, during the democratic transition, until the coming to power of Frente Amplio, the influence of a pro-market ethos limited the active use of wage policies. However, this policy approach did not facilitate economic growth or economic stability as Uruguay experienced a severe economic downturn at the end of the 1990s and the first years of the 2000s. Additionally, when coming to power in 2005, Frente Amplio changed these dynamics by using active minimum wage and collective bargaining policies. In particular, during its first term Frente Amplio reactivated Wage Councils and approved a new law that enforced Wage Councils institutional framework. Moreover, Frente Amplio extended collective bargaining coverage to informal workers such as domestic workers.

Table 3.2. Uruguay: real minimum wages, real average wages, real GDP, inflation and collective bargaining coverage. 1973-2015.

Government	Period	Type of wage policy	Adjustment rate (annual average rate for the period)				Collective bargaining coverage (average for the period) 1/
			Real Minimum Wages	Real Average Wages	Real GDP	CPI	
Military regime	1973-1984	Decreasing MW, without Wage Councils	-3.6	-5.3	1.0	58.1	Collective bargaining restricted. Trade unions banned
Colorados (Sanguinetti I)	1985-1990	Decreasing MW, Wage Councils activated	-2.5	5.3	4.2	71.0	Close to 90%
Blancos (Lacalle)	1990-1995	Decreasing MW, Wage Councils deactivated	-10.0	0.9	4.3	76.4	Less than 30%
Colorados (Sanguinetti II)	1995-2000	Decreasing MW, Wage Councils activated	-1.5	0.3	3.1	21.4	Less than 30%
Colorados (Batlle)	2000-2005	Decreasing MW, Wage Councils activated	-5.1	-5.0	-1.5	10.3	Less than 30%
Frente Amplio (Vásquez I)	2000-2005	Increasing MW, Wage Councils activated	22.2	5.9	4.9	6.8	Higher than 90%
Frente Amplio (Mujica)	2005-2014	Increasing MW, Wage Councils activated	6.6	4.9	3.6	8.1	Close to 95% from 2010

Source: Data series from Uruguayan National Institute of Statistics and and Rodriguez et al. (2007) and Loustanau (2010)

1/ Estimates based on the information of Ministry of Labour and Wage Councils.

As discussed in sections 3.1.2. and 3.2.2., the institutional legacy also played a differentiated role in Concertación and Frente Amplio when economic growth was connected to wage policymaking. As the case of Concertación showed, the Chilean centre-left wing coalition prioritised the search for legitimisation as managers of Pinochet's liberal economic legacy, using economic growth as a priority for its socio-economic policies. Moreover, economic growth was a cause of consensus for the coalition and a tool to facilitate interlocution with business elites. In that sense, the EGI discourse in Concertación functioned reactively when collective bargaining reforms were part of the debate. Conversely, Frente Amplio used economic growth proactively and as an opportunity to facilitate the active use of wage policies. As pointed out, the economic crisis that preceded the arrival of Frente Amplio to power was a consequence of the implementation of neoliberal reforms. Furthermore, Frente Amplio used this argument to disengage its policy approach from the EGI. Additionally, economic growth was also a validating tool for the Uruguayan left-wing coalition as an input to calculate the base-line for collective bargaining agreements at sectoral level. Consequently, the lower effect of the EGI allowed Frente Amplio to operationalise economic growth for validating the active use of wage policies. On the contrary, the influence of the EGI in

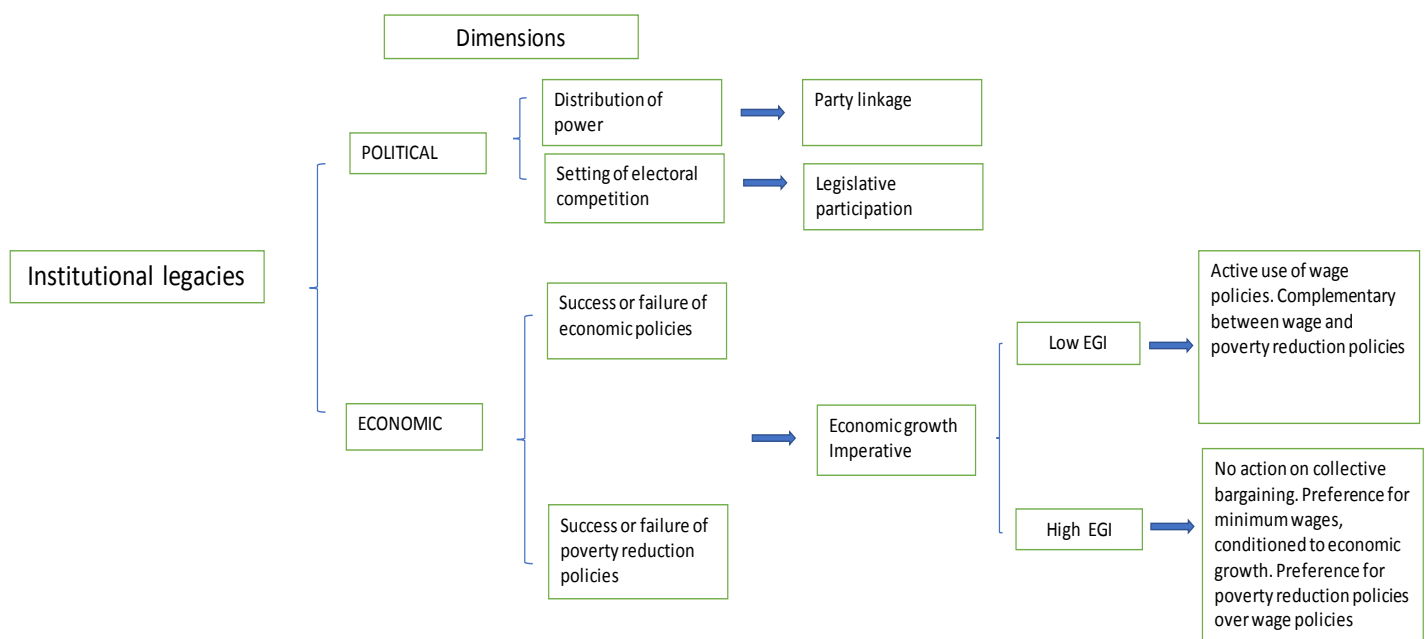
Concertación implied the use of economic growth as a deterrence to actively using wage policies.

The discussions in sections 3.1.3. and 3.2.3. show that the economic imperative of institutional legacies is an important factor when the impact of social policy on wage policy is evaluated. Thus, the experience of Concertación in Chile provides evidence that successful social policies in coalitions with an EGI are more likely to prioritise the use of social policies instead of active wage policies. Moreover, successful social policies tend to reduce the willingness to use minimum wages as a tool for poverty reduction. Conversely, the lesser influence of the EGI for Frente Amplio influenced the active use of social policies and wage policies throughout Frente Amplio's governments in Uruguay. Additionally, the Chilean case also highlighted that the logic of poverty reduction displaced redistributive policy goals, deterring the implementation of collective bargaining reforms. Moreover, this preference for poverty goals over redistributive goals was the consequence of an EGI that influenced the idea of no intervention in the labour market to not disturb economic growth premises. On the contrary, the lesser influence of the EGI in Frente Amplio allowed the connection of poverty reduction and redistributive goals thorough the active use of social and wage policies. In that sense, the left-wing Uruguayan coalition used social and wage policies as complementary policies and their active use was promoted even during the economic slowdown linked to the international financial crisis. Consequently, as table 1.1. shows, when comparing Chile and Uruguay's main indicators' performance at the end of the 2000s, it is clear that macroeconomic and political indicators *ceteris paribus*, Frente Amplio was very successful in reducing poverty and improving income distribution whilst Concertación reduced poverty dramatically but with little advance in improving income distribution.

The aforementioned discussions highlight the importance of how institutional legacies are connected to a broader economic legacy. Moreover, the success or failure of this economic legacy in delivering economic growth shapes wage policies and its connection to other policies. In that sense, the Chilean case stresses the influence on Concertación's wage policymaking of a democratic transition that protected the legacy of "successful" pro-market reforms. Furthermore, the need for legitimacy as a good economic manager shaped Concertación's willingness to introduce collective bargaining reforms. Moreover, the EGI also moderated minimum wage policies when the economy decreased its pace of economic

growth. In addition, the EGI also influenced the preference of the Chilean coalition for social policies that tackle poverty reduction over wage policies that could contribute to improving redistributive indicators. In particular, the idea of no intervention in the labour market through collective bargaining reforms that could affect the economic structure was reinforced by the possibility of using focalised social policies to improve the incomes of poor households. On the other hand, the Uruguayan case shows the importance of an institutional legacy, such as Wage Councils, that was not reformed by the dictatorship. Furthermore, the democratic transition in Uruguay also facilitated the decision making to activate or deactivate wage policies according to governments preferences. In that sense, the democratic transition did not produce an economic legacy to be defended. Therefore, the evolution of the Uruguayan economy in the 1990s and beginning of the 2000s was the consequence of the implementation of pro-market policies. At the same time, the precedent of an economic crisis shaped the discourse and electoral results that allowed Frente Amplio to come to power in 2005. Accordingly, the Uruguayan left-wing coalition used this precedent as a justification to detach its wage policy approach from the EGI. In doing so, Frente Amplio did not just use active wage policies, introducing important reforms to assure the permanence over time of Wage Councils but also extending the coverage of collective bargaining to informal workers such as domestic workers.

Figure 3.5. Different dimensions of Institutional legacies for wage policies policymaking



These elements allow the development of a structure that configures the influence of the institutional legacies in wage policymaking. As figure 3.5. shows, institutional legacy has two dimensions that are interlinked. On the one hand, the political dimension related to the type of democratic transition refers to the specific impact that institutional legacies have in the distribution of power between trade unions and business elites. Moreover, the political dimension also has an impact on the electoral system to achieve majorities in the Legislative. I discuss both expressions of the political dimension in chapters 4 and 5, highlighting that the democratic transitions of both countries had a clear effect in how the electoral competition was established in order to limit the coalition's capacity to introduce collective bargaining reforms (chapter 5). In addition, the democratic transition defined how the weakened position of trade unions resulted in their agenda of wage reforms, but their implementation depended on the party linkage of the coalition to trade unions (chapter 4).

On the other hand, institutional legacies are linked to an economic dimension expressed in two elements. The first element is related to the level of success or failure of the broader idea of an economic legacy, where wage policies are embedded. As the cases of Chile and Uruguay show, the precedent of a successful or failed implementation of pro-market policies conditions the willingness of centre-left or left-wing coalitions to use active wage policies. Accordingly, if pro-market policies are considered successful in boosting and sustaining economic growth, this precedent becomes a benchmark that conditions the use of active wage policies, limiting its activation. On the contrary, when pro-market policies are seen as a factor that produce economic slowdown, the coalition disengages from the need to use economic growth as a reason to limit the active use of wage policies.

The second element is related to the level of success of social policies. As the Chilean case shows, if social policies are successful in tackling poverty without compromising economic growth, social policies are preferred in comparison to wage policies. This preference also bounds the ability of a centre-left or left-wing coalitions to achieve poverty and redistributive goals at the same time, limiting the latter and enforcing the former. Conversely, a context of previous economic slowdown and poor social indicators enforces the willingness of left-wing coalitions to use both poverty reduction and wage policies to tackle poverty and improve income redistribution. Consequently, the two elements define the level of economic growth as an imperative that influences the decision making of wage policies. Therefore, when the

influence of the EGI is higher, coalitions tend to limit their willingness to actively use wage policies. At the same time, coalitions tend to privilege poverty reduction goals over redistributive goals. As a consequence, these coalitions prefer social policies over wage policies, assuming that social policies do not substantially affect economic growth. However, when the EGI is lower, coalitions are more willing to use active wage policies. Moreover, left-wing coalitions with a lower EGI use both active social and wage policies complementarily to tackle poverty and income distribution goals.

3.4. Conclusion

This chapter illustrates how institutional legacies shape wage policymaking. On the one hand, the type of democratic transition and the implementation of pro-market policies in the 1980s and 1990s shaped the distribution of power between trade unions and business elites. Moreover, the democratic transition also influenced the capacity of coalitions to express their electoral advantage in a legislative majority. This chapter extended the analysis of institutional legacies towards its influence as part of a broader idea of an economic legacy. In particular, this chapter highlights the influence of the importance of economic imperatives for left-wing or centre-left wing coalitions in their preference to use active wage policies. Furthermore, when the importance of EGI is higher, the likelihood to use active wage policies is lower. This chapter finds that when these economic imperatives are important, coalitions tend to prefer focalised social policies instead of active wage policies. Conversely, when these economic imperatives are less important, left-wing or centre-left wing coalitions tend to use both policies actively and as complements to tackling poverty and distribution goals. In the chapters 4 and 5 I explore the mechanisms through which institutional legacy influences the variables party linkage and legislative participation.

Chapter 4. How does party linkage affect wage policies?

This chapter analyses the influence of ruling coalitions/parties on wage policymaking. In particular, this chapter argues that linkages between political parties and trade unions is a key variable that shapes the expansion of wage policies. The characteristics of government coalitions in turn, shape their predisposition to expand social policies (Castiglioni, 2005; Pribble, 2013). Pribble in particular, considers the importance of the party linkage to their constituency's agenda a key element that influences the active use of social policies in centre-left or left-wing coalitions. As this chapter shows, wage policymaking in Uruguay and Chile supports the idea that a party/coalitions linkage to trade unions is a key variable for having a more active policy. This chapter explores how the linkage between ruling coalitions and their constituency works when implementing wage policies. In that sense, this section finds that stronger linkages with trade union agendas for wage policies result in more active wage policies. The strength of this linkage is particularly clear when it is expressed through a higher participation of trade union-linked representatives in the coalition's structure in both the government and the legislative.

To analyse how the linkage to trade union agendas influences wage policymaking, I use a more general framework that can contain other cases based on the party character typology that Pribble (2013) developed to classify parties in Uruguay and Chile. Accordingly, as table 4.1. shows, Pribble classifies electoral-professional parties or coalitions as having softer linkages with their constituency whilst constituency-coordinated parties or coalitions linkages with their constituency are stronger. On the other hand, Pribble also defines Chilean and Uruguayan right-wing and left-wing parties or coalitions as constituency-coordinated or electoral-professional. Moreover, the author defines UDI as a right-wing constituency coordinated party whilst the traditional Uruguayan parties and Chile's RN are considered right-wing electoral-professional parties.

Table 4.1. A general definition and classification of party linkage for parties/coalitions in Chile and Uruguay

Pribble's definition of left-wing or centre-left wing party character	Type of linkage with trade unions		Pribble's classification of Chilean and Uruguayan parties according to party	Left-wing parties	Right-wing parties		General definition of parties based on linkage to trade unions	Classification of parties in Uruguay and Chile
Electoral-professional	Softer linkage to trade unions' agenda	→	Electoral-professional	Concertación (Chile)	Traditional parties (Uruguay)/ RN (Chile)	→	Weak/no linkage	Traditional parties (Uruguay)/ RN and UDI (Chile)
Constituency-coordinated	Stronger linkage to trade unions' agenda		Constituency-coordinated	Frente Amplio (Uruguay)	UDI (Chile)		Soft linkage	Concertación (Chile)
							Strong linkage	Frente Amplio (Uruguay)

For the analysis of wage policymaking, I am reshaping this framework based on the distance between left-wing, centre-left wing and right-wing parties with respect to trade union agendas. Therefore, I am redefining the party character using the strength of their linkage to trade union agendas. Hence, a left-wing constituency-coordinated party/coalition has a strong linkage to trade union agendas whilst an electoral-professional centre-left wing party/coalition has a soft linkage. On the other hand, both constituency-coordinated or electoral-professional right-wing parties have weak or no linkages to trade union agendas. Consequently, based on the cases of Chile and Uruguay, Frente Amplio is a strong linkage coalition, Concertación is a soft linkage coalition whilst right-wing parties are weak-no linkage parties/coalitions.

This definition of the character of ruling parties/coalitions is useful to understand the importance of the centre-left or left-wing coalitions linkages with trade unions for social policies policymaking in Latin America. Moreover, the variable party linkage requires more dimensions to be addressed when it is implemented in the analysis of wage policymaking. In particular, to define how strong or soft the linkages are with constituents for wage policymaking, I am including three new dimensions that allow a more refined analysis. The

first one is related to how left-wing coalitions are more open to incorporating representatives/advisors of trade unions in the Legislative and Government branches, as a demonstration of commitment to trade union agendas. Thus, when the commitment is stronger the coalition should be more open to including a higher number of trade union-related individuals as government officials or legislators in order to show the coalition's willingness to implement the trade union wage policy agenda. On the contrary, softer linkages with trade unions should imply a lower number of trade union-related persons in both the government and legislative branches. In that case, trade unions have less influence in left-wing or centre-left wing coalitions to actively use wage policies.

I also include a second and third dimension for the analysis of linkages between party elites and constituents that are associated with the structure of a coalition. The second dimension is linked to the relevance in the coalition of parties who also have important links to business. Therefore, when the importance of such parties is higher the linkage with trade unions is softer. As a result, there are implicit transactions at the coalition level to balance both trade union and business demands regarding wage policies, particularly collective bargaining reforms. On the contrary, when parties that also have strong linkages with business are limited or not relevant in a coalition, the coalition's alignment with trade union agendas for wage policies is higher. The third dimension is linked to the internal organisation of the left-wing or centre-left wing ruling coalition that can obstruct the active use of wage policies. Accordingly, the existence of actors at government and legislative branches that has a more strategic approach to preserving economic growth and a problematic democratic transition, makes the possibility of using wage policies more actively more difficult. On the contrary, when the actors are more aligned with trade union agendas at different policymaking arenas, the setting of active wage policies is more likely.

This section analyses the evolution of the variable party linkage and its influence on the policymaking of wage policies. This chapter discusses the differences between Concertación and Frente Amplio, as centre-left/left wing coalitions, considering their linkage with their core constituency in the labour market: trade unions (Pribble, 2013: 32). This chapter scrutinises the importance of how strong or soft the linkage with trade unions are for wage policymaking, particularly in three aspects. First, this chapter highlights that the linkage between centre-left/left coalitions with trade unions is more explicit through the participation of trade union

representatives in both the executive and the legislative. In that sense, the higher presence of trade unions in left-wing coalitions is a signal of a coalition more committed to expanding wage policies. Second, this chapter also finds that the party character and its linkage with trade unions is also facilitated when there is an “alignment” in terms of parties’ agendas in the legislative. This “alignment” can also be seen in the government’s internal structure that allows a more successful wage agenda setting. Trade union policy agendas are more likely to be implemented as wage policy reform proposals when the ruling coalition has parties more aligned to trade unions and a government structure that gives more agenda setting capacity to the Ministry of Labour. To analyse the impact of the variable party linkage, this section is organised as follows: Section 4.1. discusses the case of the wage policies of Concertación in Chile, a soft linkage coalition characterised by lower participation of trade unions in the coalition, the importance of parties more open to the agendas of business elites’ and the existence of an internal structure that gives high veto power to different actors opposed to collective bargaining reforms. Section 4.2. discusses the case of the wage policies of Frente Amplio in Uruguay, a strong linkage party with high participation of trade unions, limited parties with pro-business agendas and an alignment between actors inside the coalition to facilitate collective bargaining reforms. Finally, section 4.3. analyses both cases, highlighting the relevance of trade union participation in ruling coalitions for the expansion of wage policies.

4.1. Concertación as a soft linkage coalition: limited participation of trade unions in government and legislative branches as a factor for not extending collective bargaining

As was previously discussed, Concertación represents a centre-left coalition with a soft linkage to trade unions. The character of Concertación implied that the Chilean centre-left coalition had an approach to developing and implementing policy reform that considered the institutional constraints of the Chilean democratic transition (Linz and Stephan, 1996). Concertación had to strategically organise its policymaking setting, balancing demands from its constituency (trade unions) and business elites. As a consequence, Concertación had limited participation of trade unions inside government and the legislative, an important role for the Christian Democratic Party to include the business agenda in wage policymaking and an internal structure of different actors for vetoing collective bargaining reforms.

4.1.1. Trade unions articulation with Concertación

Throughout this section the decreasing participation of trade union representatives or former advisors in Concertación will be discussed. Accordingly, the subordinated relationship trade unions had with the Chilean state continued during the Concertación governments, through the diminishing presence of trade union representatives but also with the influence Concertación had in the main trade union federation (CUT) governing body. The first stages democratic transition in Chile conditioned the need Concertación had to balance trade union demands with the demands of business elites and pro-Pinochet parties. As a result, Concertación exerted its control on CUT's governance but also controlled and limited trade union's presence in both government and the legislative branches. Therefore, the limited presence of trade union-related legislators and officials in Concertación was a sign of a soft linkage to trade union agendas that affected the implementation of more active wage policies, particularly for collective bargaining reform.

An important aspect that enforces Concertación's character as a "soft linkage" centre-left coalition is the limited participation of trade union representatives in the government and legislative. As a coalition established for defeating Pinochet in the 1988 plebiscite, Concertación was an integration of different groups that converged on the objective of recovering democracy. In that sense, trade unions were part of the coalition as members through different parties, most importantly the Christian Democratic Party (CDP) and the Socialist Party (SP), but also as trade union organisations through Central Unitaria de Trabajadores (CUT). Once Pinochet was defeated, trade union demands were considered in the Concertación electoral and government proposals. However, direct trade union participation in the legislative was limited by a disposition that did not allow new legislators to maintain their trade union affiliation if they were elected for both Congress or Senate. Therefore, trade union representatives were compelled to participate in the legislative through Concertación parties but without maintaining their formal ties with CUT or other trade union federations.

Despite that, this disposition did not imply a real separation of representatives from their trade union links, it established a symbolic transition. As discussed by Buchanan (2008), the

influence of Concertación on the Chilean trade unions was part of the historical top-down relationship between left-wing political parties and trade unions. In that sense, even though at the beginning of the transition former trade union-linked representatives³ were 18% of Concertación's representation in the legislative, this ratio decreased constantly as the democratic transition consolidated, reaching 9.5% in the period 2006-2010 (see Table 4.2). This decreasing trend was interpreted by some interviewees (Interview #16, Interview #17, Interview #19, Interview #20, Interview #24) as a clear symptom of Concertación's disengagement with the trade union agenda. Furthermore, according to these respondents there were some former trade union representatives in the Congress, but there was a lack of a stronger voice from trade unions in the legislative. As one interviewee (Interview #16) pointed out, "there was Manuel Bustos⁴, there was María Rozas⁵, there was Rodolfo Seguel⁶. But they were few with a strong link with trade unions".

Table 4.2. Chile: Participation of trade union-linked legislators in Concertación. 1990-2010

Legislative branch/Period		1990-1994	1994-1998	1998-2002	2002-2006	2006-2010 b/
Senate	Links with trade unions a/	3	3	3	2	1
	Total Concertacion	22	21	21	20	20
	Ratio	13.6	14.3	14.3	10.0	5.0
Congress	Links with trade unions a/	14	10	10	8	7
	Total Concertacion	71	70	70	63	64
	Ratio	19.7	14.3	14.3	12.7	10.9
Total	Links with trade unions a/	17	13	13	10	8
	Total Concertacion	93	91	91	83	84
	Ratio	18.3	14.3	14.3	12.0	9.5

Source: Own elaboration based in legislators' CVs

a/ Links with trade unions are established based on legislator's participation in one point of their lives as trade union's representatives, as legal advisors or as researchers/promoters of NGOs focused on trade unions' empowerment

b/ In 2008, several congress and senate Concertacion's representatives created Partido Regionalista Independiente (PRI).

Similarly, the presence of former trade union representatives or advisors in the Concertación governments was limited. As table 4.3. shows, during the 1990s, Ministers of Labour did not

³ Representatives links with trade unions were established after having participated directly in a trade union. Representatives links also include indirect participation by giving legal advice to trade unions or through NGOs that supported trade unions.

⁴ Former president of Central Unitaria de Trabajadores (CUT).

⁵ Former member of CUT's board

⁶ Former president of the Confederation of Copper Workers.

have former relationships with trade unions. As several respondents noted, there were no trade union representatives in the government, particularly in the Ministry of Labour in order to do not generate a reaction in the opposition and business elites (Interview #16, Interview #17, Interview #19, Interview #20, Interview #24). As a former Minister of Labour (Interview #19) remarked, “it would have been a scandal for the right and business leaders if a trade union representative would have been appointed as Minister of Labour”. In the 2000s this trend changed as the democratic transition was more consolidated. There were still no trade union representatives in government. However, former trade union advisors, especially lawyers that supported workers causes, were appointed as Ministers of Labour. As a former Minister of Labour (Interview #24) in the 2000s observed, “yes, it was something new. I even participated in 1st May parades. I think it was related to the idea that the transition was more or less completed”.

Table 4.3. Ministers of Labour in Chile. 1990-2015

Minister	Start	End	Administration	Political affiliation 1/	Previous link to trade unions 2/
René Javier Cortázar Sanz	Mar-90	Mar-94	Aylwin	DC	No
Jorge Arrate Mac Niven	Mar-94	Aug-98	Frei	PS	No
Germán Molina Valdivieso	Aug-98	Mar-00	Frei	PPD	No
Ricardo Solari Saavedra	Mar-00	Apr-05	Lagos	PS	No
Yerko Ljubetic Godoy	Apr-05	Mar-06	Lagos	DC	Yes
Osvaldo Raúl Andrade Lara	Mar-06	Dec-08	Bachelet (1)	PS	Yes
Claudia Inés Serrano Madrid	Dec-08	Mar-10	Bachelet (1)	PS	No
Camila Merino Catalán	Mar-10	Jan-11	Piñera	Independent	No
Evelyn Matthei Fornet	Jan-11	Jul-13	Piñera	UDI	No
Juan Carlos Jobet Eluchans	Jul-13	Mar-14	Piñera	RN	No
Mónica Javiera Blanco Suárez	Mar-14	May-15	Bachelet (2)	Independent pro DC	No
Jimena Rincón	May-15		Bachelet (2)	DC	No

Source: Based on data on elected and designated authorities. Auditoría a la democracia. PNUD (<http://www.auditoriaalademocracia.org>)

1/ When starting as minister

2/ Reviewing CVs. Includes previous direct work with trade unions organisations.

(1) First period

(2) Second period

Despite the participation of trade unions in Concertación -at government and legislative levels- being limited and decreasing during the democratic transition, trade union representatives had ties with Concertación parties, especially in the structure of the most important federation, CUT. In that sense, as some interviewees (Interview #1, Interview #16, Interview #19) noted, the influence of Concertación on CUT was more important than the

CUT influence on Concertación. Excepting the period 1998-2000, all CUT presidents had links with Concertación parties. Manuel Bustos, a Christian Democrat, was CUT's president at the beginning of the transition (1988-1996), whilst Roberto Alarcón (1996-1998) and Arturo Martínez (2000-2012) were former CUT presidents and members of the Socialist Party. Even though the Communist Party also had a presence in CUT's directories, it reached CUT's presidency with Eitel Moraga (1998-2000) and Bárbara Figueroa (current president since 2012). Thus, Concertación was the most important political force at the top of CUT during the democratic transition. Considering the decreasing presence of trade unions in Concertación's legislative and governmental decision making, Buchanan's (2008) argument about the historical top-down relationship between left-wing political parties in Chile was supported by the Concertación-CUT relationship during the Chilean democratisation process.

Concertación's presence in CUT was rooted in the historical relationship between centre-left parties (Christian Democrat and Socialist) and trade unions, particularly before the military coup in September 1973. However, that tradition was recovered in democracy but with a different "partner". Moreover, the banning of trade unions and the introduction of Plan Laboral during the military dictatorship weakened unionisation and limited the strength trade unions had in the pre-coup period. In that sense, as various respondents observed (Interview #1, Interview #16, Interview #19, Interview #24), Concertación's aims in terms of their relationship with trade unions were seen as dual. On the one hand, weaker trade unions objectively needed support to improve their capacity to negotiate fairly, especially during collective bargaining processes. On the other hand, Concertación governments were aware of a democratic transition reversal -considering the democratic transition- and the possible consequences on economic growth (discussed in Chapter 3). As a consequence, the Concertación governments faced a complex scenario where high expectations of change from the side of the trade unions collided with Concertación's need to navigate a complicated democratic transition and maintain economic growth.

This duality was expressed in the way respondents interpreted different aspects of the practical issues concerning the CUT-Concertación relationship during the democratic transition. One of these issues with divergent interpretations was the economic support trade unions received from the Concertación governments in order to organise activities to promote unionisation. For some interviewees (Interview #1, Interview #14, Interview #23) the

monetary resources that the Concertación governments provided to CUT were seen as a legitimate way to support trade unions, considering their financial needs. As these respondents mentioned, the consequences of a labour relations structure that weakened trade unions via Plan Laboral implied the need to provide financial assistance from the Concertación governments to trade unions, particularly through seminars and events that enforced trade union campaigns to increase unionisation. As one interviewee observes (Interview #14), “we had to support them (trade unions) because they were very weak. They had no resources”. Another source (Interview #1) explains that, “the decrease in unionisation had an impact, mainly in the lack of resources to organise trade unions activities. We were conscious they needed support”. However, the Concertación governments financing trade union activities were also seen as a way to control trade union agendas. As other respondents noted (Interview #16, Interview #19), the resources were a way to co-opt trade unions and diminish their demands. An interviewee (Interview #16) that had worked with trade unions prior to participating in the Concertación governments observes that, “I was there when the resources arrived to the (NGO that supported trade unions) office. Resources were distributed among trade unions according to their needs. But it was a way (of Concertación governments) to control them (trade unions)”. Another respondent (Interview #19), a former Concertación government member, added that, “I did not see how resources were distributed among trade unions. But it seemed like we (Concertación) had something to do with it. For example, it was mysterious how some trade unions memberships were suddenly updated during CUT’s internal elections”.

Another issue that showed the duality Concertación faced regarding its relationship with trade unions was the way it did not advance introducing collective bargaining reforms throughout the democratic transition process and how it affected trade unions. As many interviewees (Interview #1, Interview #13, Interview #18, Interview #22, Interview #23, Interview #24) pointed out, the unsuccessful attempts to introduce collective bargaining reforms were considered the great debt that Concertación had with trade unions. As one important member (Interview #22) of the Concertación governments mentioned, “in retrospective, we could have done more. That is our greatest debt with trade unions. However, considering the difficulties we (Concertación governments) had, it was the best we could have done”. Similarly, another important member of several Concertación

governments (Interview #23) observed that, “obviously, now we can talk about introducing collective bargaining reforms at that time. And of what happened to trade unions (their weak situation). But then (nineties) we faced a very complicated transition”. Conversely, other members (Interview #16, Interview #17, Interview #19, Interview #20) of Concertación at government and legislative levels, considered that the cost of not having introduced collective bargaining reforms was too high for trade unions. As one interviewee (Interview #16) observed, “during the (democratic) transition, unionisation and collective bargaining were low. This outcome was evidently linked to the lack of reforms”. In that sense, what was called the biggest debt of Concertación with the trade unions was also scapegoated as the main factor that weakened trade unions in democracy. Another former Concertación government member (Interview #19) in the 2000s noted that,

“in the 1990s and 2000s unionisation decreased but also appeared more federations (beyond CUT). Why? Because if you do not have the tools to exert your power as trade union, trade union you cannot appeal more members and be successful in broadening support to your leadership. Atomisation (of trade unions) is the consequence”.

As has been discussed in this section, the decreasing participation of trade union representatives or former advisors was a clear trend in Concertación, particularly in the legislative. The diminishing presence of trade union representatives or former advisors reinforced the subordinated relationship trade unions had with the Chilean state, reproduced during Concertación governments in the 1990s and 2000s. Considering Concertación’s strategic nature during the first stages of the democratic transition in Chile, the centre-left coalition had to balance trade union the demands of pro-Pinochet opposition and business elites. In that sense, Concertación exerted its control on trade unions own governance but also controlled and limited trade union’s presence in both government and legislative branches. Consequently, low trade union participation in Concertación could be seen as a signalling of a “soft” linkage to trade union agendas, limiting the active use of wage policies, particularly for collective bargaining reforms. At the same time, the unsuccessful implementation of collective bargaining reforms decreased the capacity of trade unions to

attract more affiliates and increase their power resources, weakening trade unions and, paradoxically, increasing Concertación's influence in trade unions governance.

4.1.2. The relevance of the Christian Democratic Party in Concertación

As is presented throughout this section, the Chilean case of Concertación and the relevance that the Christian Democratic Party had during the first two decades of the democratic transition show that when the importance of parties that also have links to business in the centre-left or left-wing coalition is higher the linkage with trade unions is softer. Consequently, there are implicit transactions inside the centre-left wing coalition at government and legislative levels to balance trade union and business demands. As a result, the relevance that CDP had in Concertación also influenced the soft linkage with trade union agendas, particularly the reluctance that some CDP legislators and government officials had to support collective bargaining reform.

As discussed in Chapter 3, Concertación had to navigate in a context of a democratic transition, characterised by three elements. The first factor is linked to the institutional infrastructure shaped by the military regime, especially with regard to the electoral system, the existence of *Senadores Designados*⁷ and influence in several key institutions, such as the Supreme Court. This institutional framework allowed Concertación's opposition to have a high veto power to limit or impede socioeconomic reforms, especially in collective bargaining and tax policies. A second element was the presence of Pinochet as head of the Army until 1998. The powerful participation of the dictator during the first years of the democratic transition acted as a clear menace for a possible reversal of the democratic process. Moreover, it also delayed the beginning of the "de-Pinochetisation" of the Chilean military forces. Finally, a third element was linked to the need to preserve the "successful" Chilean economic model. The pro-market reforms implemented by the military regime were seen as an engine for economic growth, particularly by business elites. Consequently, the arrival of a centre-left coalition to power was considered a risk for "the model". In summary, the evident problems that the centre-left coalition had to deal with in order to facilitate the democratic

⁷ As previously discussed, *Senadores Designados* were included as part of the institutional political legacy of Pinochet's dictatorship in order to provide a majority to pro-Pinochet supporters in the Senate at the beginning of the democratic transition.

transition shaped Concertación's approach to policymaking in the 1990s and beginning of the 2000s, strategically implementing different socioeconomic policies.

The necessity of thorough policymaking in the context of the Chilean democratic transition was implicitly shaped by the composition of the coalition in both the legislative and government. As Table 4.4. shows, the centrist Christian Democratic Party had a leading position in Concertación, as the party most votes in Chile and the ruling coalition in the 1990s. The electoral importance of CDP for Concertación was expressed in CDP's pre-eminence in legislative voting as well as in the composition of the government. In that sense, particularly in the 1990s, a CDP majority in both the senate and government structured a more balanced approach for Concertación's socioeconomic policymaking, that also included SME demands. Whilst the other Concertación parties⁸ had a more progressive policy line, CDP was a Christian-democratic party whose policy preferences were historically rooted in the demands of the middle classes and the social doctrine of Catholicism. Thus, CDP's policy approach included different elements, such as the importance of social policies for tackling poverty and reducing social gaps, the relevance of small and medium companies for socioeconomic policymaking (including the labour market) and the realisation of their position as the representatives of the centre of the political spectrum in the ruling coalition. Consequently, considering its structural importance in Concertación, CDP's more moderate policy approach was the gravitational force for policymaking in Chile, particularly in the 1990s.

Table 4.4. Chile: Congress Composition of Concertación political parties. 1989-2009

	1989	1993	1997	2001	2005	2009
Concertación Total	51.5	55.4	50.5	47.9	51.8	40.4
DP	26.0	27.1	23.0	18.9	20.8	13.0
PS	10.4	11.9	11.1	10.0	10.0	9.0
PPD		11.8	12.6	12.7	15.4	11.6
Others 1/	15.1	4.5	3.9	6.3	5.5	6.9

Source: Luna (2015)

1/ PPD votes do not appear in 1989. Therefore, PPD votes appear in Others.

⁸ Partido Socialista (PS, Radical Party), Partido por la Democracia (PPD, Party for Democracy), Partido Radical (PR, Radical Party), and others.

The process of labour policymaking during the first decade was also influenced by the structure of the Concertación governments, where the CDP had a leading role. As many interviewees note, the coalition's internal organisational structure shaped the strategic approach Concertación had in the first period of the democratic transition. During the first Concertación term (1990-1994) three key ministries -René Cortázar (Labour), Alejandro Foxley (Finance) and Edgardo Boeninger (Presidency's General Secretariat)- were occupied by Christian Democrats. In the Presidency's General Secretariat, Edgardo Boeninger was responsible for coordinating the political discussion of reforms, particularly the timing and schedule. As an interviewee points out (Interview #1), "Edgardo had a clear idea of how important was facilitating a peaceful transition. In that sense, the policy reform coordination -having in mind the context- was crucial". Boeninger was also very close to president Patricio Aylwin, sharing a view of carefully designed policymaking, including labour market reforms. Thus, under the leading role of Boeninger for policymaking articulation, all three Christian Democrat ministers had a coordinated approach that shaped the pattern of wage policy implementation during Aylwin's presidency.

The political coordination for wage policies was relevant in order to balance diverse demands in the first Concertación government. As different interviewees observe (Interview #1, Interview #5, Interview #16), on the one hand the minimum wage had a lag in terms of its purchasing capacity during the 1980s, that needed an adjustment in democracy. On the other hand, Plan Laboral produced low levels of collective bargaining in the 1980s that were a consequence of the complex process for collective bargaining that Pinochet's reforms had generated. Plan Laboral also included other actors in the collective bargaining process that diminished trade union negotiating power. Therefore, wage policy deficits required addressing by Concertación during the democratic transition. As some respondents point out (Interview #1, Interview #5), minimum wage adjustments were important (in magnitude) and easier to implement, considering their low levels and the justification of a general poverty-reduction policy implementation. However, low levels of collective bargaining were more difficult to tackle through active policymaking. Any reform to Plan Laboral was seen by the opposition and business elites as a serious threat to the success of Pinochet's model and the stability of the economy, considered the most important legacies of the dictatorship supporters. This position was also shared by part of Concertación's centre, particularly the

CDP. Considering the implicit risks that a failure to maintain the economic growth Chile had experienced since the mid-1980s would have produced in the quality of the democratic transition, the possibility for reforming collective bargaining in the first Concertación government was limited (Interview #1, Interview #23). Thus, instead of proposing a more politically difficult collective bargaining reform, Aylwin's government decided to focus its efforts on re-establishing rights for workers and trade unions.

After the first Concertación government's experience in wage policymaking, the relevance of CDP was linked to several issues recognised as important elements that characterised Concertación as a government coalition. The first key element was economic stability and economic growth, discussed broadly in Chapter 3. Multiple respondents noted that the good shape of the economy was crucial for wage policymaking in different dimensions. The first dimension was the importance of economic stability for moderating internal discussions on policy reform. Various legislators (Interview #17, Interview #20) and former ministers, policy-makers and advisors (Interview #1, Interview #14, Interview #18, Interview #19, Interview #22, Interview #23) recognise that even left-wing parties in Concertación had a more moderate position when discussions of the economic consequences of wage policies were debated. Those opinions highlighted that the position of CDP legislators and cabinet members was more pro-economic growth than the left-wing parties in Concertación. Even though, the importance of continuing with a trend of high GDP growth was also relevant for some legislators and government members in PPD and SP, CDP representatives in both branches were seen as the key actors. Several respondents (Interview #17, Interview #18, Interview #22, Interview #23, Interview #27) observe that throughout the discussions at government and legislative levels on minimum wages and collective bargaining reforms, the economic impact of those policies served as a decisive argument in making a final decision. In particular, a significant number of CDP members used the pro-growth and pro-small and medium businesses discourse to oppose collective bargaining reform. As a respondent (Interview #27) notes,

“economic stability, besides the presence of Pinochet (as head of the Army), was seen as a factor for (wage) policies. Even though I was supporting trade union demands, that was not the case of the whole CDP in the legislature”.

In that sense, the discourse of economic stability used by many members of CDP played a role in controlling internal and external demands in the coalition for more active wage policies.

A second key element was the technocratic ethos that CDP promoted in the Concertación governments. Beginning with the fine-tuned structure that CDP had in the key ministries during the first Concertación government, its logic permeated throughout all periods when Concertación ruled the country. As one interviewee (Interview #1) mentions,

“the ideas that the first government introduced, particularly the technical approach for policymaking, continued in other governments. (...) There were not just the political issues that the difficult transition put on the table (of the policymaking process). Also, macroeconomic and microeconomic equilibriums that were a cause of concern for all governments, particularly for CDP members of those governments”.

The idea of strategically dealing with different equilibriums was part of the CDP ethos installed in Concertación governments. This included wage policy reforms. As another respondent (Interview #16) observes, “you saw people in different parts of the government -Ministry of Labour, Ministry of Finance, more political ministries- that opposed to collective bargaining reforms. However, there was one thing in common: you saw that they were predominantly Christian Democrats”.

Finally, a third key element was the comparatively higher openness that CDP had to relating to business elites. Of all the parties in Concertación, the position of CDP was the more centrist but also the more open to a dialogue that included business elites’ points of views. In that sense, CDP was seen as an intermediary with business elites claims when wage policies were under debate. As one interviewee (Interview #19) points out,

“CDP members had higher connections with the private sector than other parties. You could see it either when they (CDP members) left the (Concertación) government or the legislative. For them was easier to go to work for businesses. (...) The same happened when they themselves had links with corporations as owners”.

The connection CDP had with the private sector also had a symbolic moment with the arrival of Eduardo Frei to the presidency in 1994-2000. Frei had worked for Sigdo Koppers, a construction company where he became a partner in 1974. Even though he sold his stocks in the company in 1987 to start his participation in politics, Frei was seen as someone with good relationships with the private sector, becoming the only Concertación president that had worked in and owned a company. Accordingly, his presidency was seen as having a more open link to the private sector, privatising state-owned companies or promoting public-private investments, setting the standard for the next Concertación governments. As one respondent (Interview #18) mentions, “it was clear that the private sector felt they had an easier access with Frei. (...) It was not mentioned but it was implicit”. Another interviewee (Interview #14) also notes that, “what came later with (president Ricardo) Lagos, and his policies to privatise highways could not have been understood without his experience as a minister with Frei”.

This section discussed the influence in centre-left coalitions or parties that also have significant links to business elites, as was the case of the CDP in Concertation. As has been seen, CDP played an important role in the centre-left or left-wing coalition with its notable representation at legislative and governmental levels and the technocratic ethos that CDP installed in Concertación’s governments with a narrative to preserve economic growth. Moreover, CDP’s nature was more open to include businesses’ points of views in policymaking. Consequently, these elements built a closer relationship to business elites demands that softened the linkage with trade unions. As a result, there were implicit transactions in order to balance both trade union and business elites’ agendas at the coalition level for wage policymaking, particularly collective bargaining reforms.

4.1.3. Actors and policy arenas inside Concertación’s governmental and legislative structures

As mentioned before, another dimension of the character of left-wing or centre-left wing coalitions in wage policymaking is linked to the coalition’s internal arenas of policymaking and the actors involved that can obstruct the active use of wage policies. Hence, the existence of a different actors in the government and legislative branches that has a more strategical

approach to preserving economic growth and navigating the democratic transition, makes the possibility of using wage policies more actively more difficult. As is discussed in this section, the existence of three arenas where actors have veto power played a role in wage policy making in Chile under Concertación. The first arena appears internally in the Ministry of Labour, whilst the other arenas appear at the Ministry of Finance and in the Legislative. In that sense, the existence of actors in such policy arenas that addressed issues such as the democratic transition, economic growth and a balanced approach to other stakeholders' positions (i.e. business elites), made the implementation of wage policy reform in general difficult.

One of the characteristics of Concertación's periods as the ruling coalition in Chile in the 1990s and 2000s was the internal existence of different arenas and actors for the forming of its policymaking. During the democratic transition Concertación included a technocratic internal organisation, establishing several levels of discussion for Concertación's labour policymaking. Accordingly, the structure of the Concertación governments allowed a more sophisticated mechanism to control the agenda setting for different labour policies, including wage policies, with three policy arenas where actors interact that I refer to as micro, meso and macro arenas. The micro arena was located at the sphere of the Ministry of Labour, where policy reforms were discussed through different positions with a clear pro-trade union policy approach in the Labour Inspections department. However, the position of the minister could change according to his/her policy approach, that might balance other political aspects with the government's agenda. The meso level agenda refers to the dominant position of the Ministry of Finance for socioeconomic policies. In that regard, the discussions of any wage policy proposal were analysed with a consideration of macroeconomic and fiscal impacts, as well as a pro-economic growth policy approach. Finally, the macro arena denotes the discussion of wage policy proposals in the Legislative, after wage policy proposals agreed internally at government level are discussed politically with the opposition and Concertación legislators. At this arena, the structure of Concertación at the legislative and the concerns and interests of legislators, particularly in the CDP, made possible the rejection of wage policy proposals based on arguments on likely economic growth deterioration and effects on employment and on SMEs.

The process of passing a reform proposal in Chile required a period of dialogue at different arenas, starting inside the Ministry of Labour, where top-level cabinet members had their own opinions about the timing, the necessity and the contents of possible wage reforms. In that sense, the existence of actors at a micro-level relates to the structure of the Ministry of Labour. This structure depended on who the minister and the other sub-secretaries and important functionaries in the ministry were, how technocratic they were and their links to trade unions (Interview #1, Interview #16, Interview #19, Interview #24). As a former top-level member of three consecutive cabinets in the Ministry of Labour (Interview #16) one interviewee observes:

“it depended on how aligned they were (cabinet members). You could have had a very technocratic minister and more progressive cabinet members and the conversation about the contents and the timing for introducing a reform would have been more difficult. (...) I was always pro-trade unions, but it was sometimes difficult with ministers that also thought about the economic impact or the political issues involving the reform proposals”.

Another former member of two different cabinets (Interview #19) in Concertación also mentions the existence of a progressive side and a technocratic side in different administrations:

“it was clear that the progressive side came from departments like Labour Inspection and others who were more conscious about the need to introduce reforms, particularly in collective bargaining. Ministers could address the progressive side more explicitly or have a more nuanced position. Same for other cabinet members”.

Consequently, the structure of cabinet members in the Ministry of Labour conditioned the ground for the setting of wage policy reforms from the “inside”.

The meso arena inside the Concertación governments was linked to the Ministry of Finance’s importance for the formulation of social and economic policies. As aforementioned, this was linked to the Concertación governments’ economic growth imperative throughout the

democratic transition, particularly in the 1990s. As several respondents (Interview #17, Interview #18, Interview #19, Interview #22, Interview #23, Interview #24) note, the position of the Ministry of Finance was more determinant than the position of other ministries in social and economic areas, especially considering the strict management that the Ministry of Finance had of the fiscal budget since the start of the transition. This unbalanced relationship inside the government included the decision-making of labour and wage policies. As a respondent (Interview #24) observes, “Finance had the final word of what was going to be debated (for labour reforms) or the amount of adjustments of public sector wages and minimum wages”. Consequently, even though the initiatives for wage policies were supposed to be elaborated by the Ministry of Labour, the Ministry of Finance had the power to shape the final proposal. Many former Ministers of Labour (Interview #14, Interview #18, Interview #19, Interview #24) point out that even though their relationship was supposed to be equal, they knew the Ministry of Finance arguments were anchored on the economic effects of such policy initiatives. According to these former ministers, the Ministry of Finance position was determinant for the final decision making of wage policies starting with the annual exercise to adjust minimum wages and wages in the public sector. These interviewees recognise that both decisions had fiscal and macroeconomic effects that the Ministry of Finance was aware of. Respondents also observe that the Ministry of Finance had concerns of the signalling effects that the adjustments of minimum wages and public sector’s wages would have for the remaining wages in the economy.

Similarly, the position of the Ministry of Finance was important for the debate about the timing and necessity to implement collective bargaining reforms. According to diverse respondents (Interview #14, Interview #17, Interview #19, Interview #24) during different collective bargaining debates the Ministry of Finance had concerns about the economic effects that the extension of collective bargaining would have had, particularly in export-leading sectors. As one interviewee (Interview #17) points out: “Finance was concerned about the effects (of collective bargaining reforms) on the economic model. (...) The apprehension of Finance has been similar in two topics: tax policies and collective bargaining”. Various interviewees (Interview #13, Interview #17, Interview #19, Interview #20) mentioned that both tax and collective bargaining policies were seen as crucial policies for the stability of the economic model. According to these respondents, the economic technocrats of

Concertación's governments were more concerned about of tax and collective bargaining policies, evaluating their effects on investments, particularly in the private sector. Considering the importance of economic growth for the Concertación's governments, the policy preference of the officials in the Ministry of Finance, somehow collided with collective bargaining initiatives developed in the Ministry of Labour. As several top members of Concertación's cabinets (Interview #14, Interview #18, Interview #22, Interview #23, Interview #24) observe, there were tensions between the Ministers of Finance and Labour, that somehow were resolved between them but after tough discussions. One interviewee (Interview #22) witnessed, during president Eduardo Frei's administration, that:

“there were the two ministers with the president, arguing about a possible reform. The president carefully listened to them. After that, he just mentioned that for the following day they should have solved the problem. Actually, they did”.

The importance of the veto power of economic technocrats was not just on Concertación governments' decision-making but also in the discussion of possible reforms in the legislative, where the macro arena for wage policies policymaking was located. At this arena, the structure of Concertación at the legislative, particularly the weight of CDP (discussed in section 4.1.2.) with a particular focus on arguments based on likely economic growth deterioration and effects on employment and on SMEs, complicated the implementation of reforms on collective bargaining. Even though the other arenas could have failed in stopping what could be considered an overly pro-labour proposal, the macro arena functioned as a more government-independent stage where the policymaking included other stakeholders demands and more nuanced political views. Consequently, in the macro arena, beyond the clear position against any wage policy reform that opposition parties had, actors inside Concertación who were more aligned with the Ministry of Finance position tended to be less supportive of collective bargaining reforms. Members of Concertación's parties (Interview #17, Interview #20, Interview #24) in the legislative observe that everybody knew there were members in both Congress and the Senate that were more supportive to the Ministers of finance rather than their counterparts in the Ministry of Labour. As one former and current legislator (Interview #17) mentions, “we knew there was an important number of legislators,

mainly in the Democratic Christian Party but also in other parties, like PPD and Socialist Party, that were more aware about the economic growth”. Consequently, there was a legislative base in Concertación that also supported the Ministry of Finance’s position in order to moderate, or even impede, collective bargaining reform proposals in the legislative. According to a former Minister of Labour (Interview #18), Ministers of Finance did know they had leverage in the legislative:

“I could have won the internal debate in Government (about the collective bargaining reform proposal). But the Minister of Finance knew it was difficult to have majority in the Senate to approve the reform. Somehow, he counted on it (the support of legislators to the Ministry of Finance position)”.

This section analysed the impact of the three policymaking arenas where actors interact inside Concertación in Chile on wage policymaking. As has been seen, the micro, meso and macro arenas structure played a role as a deterrent of more pro-trade union agenda wage policies. In particular, internal differences in the Ministry of Labour (micro arena) and the pro-economic growth of the Ministry of Finance with important influence in the socioeconomic policy design (meso arena), constituted internal veto stages at government level. The presence of legislators in Concertación that were more aligned with the pro-economic growth discourse of the Ministry of Finance and a balanced wage policymaking approach, including SMEs and business elites’ positions, constituted a macro arena where actors also vetoed collective bargaining reforms. The case of Concertación in Chile highlights that a nuanced position in these actors, not totally addressing trade union agendas, blocked the implementation of collective bargaining reforms in particular.

4.2. Frente Amplio as a strong linkage coalition: the importance of trade union participation in the government and legislative branches for expanding wage policies

As mentioned, Frente Amplio represents a left-wing coalition with a strong linkage to trade unions. The character of Frente Amplio was built through its relationship with trade unions over several decades, that strengthened in the context of the Uruguayan democratic transition (Linz and Stephan, 1996). Furthermore, Frente Amplio’s views and position on

labour policies were shaped by its close relationship with the trade union federation, PIT-CNT. Consequently, when Frente Amplio came to power, it allowed significant participation of trade union representatives in the government and legislative branches. The internal political structure of Frente Amplio, with no parties linked to business elites, and the alignment of actors to trade union agendas at different vetoing levels, facilitated the expansion of wage policies in Uruguay.

4.2.1. The close relationship between trade unions and Frente Amplio

This section analyses the importance on wage policymaking of trade union representatives/former advisors that participated in Frente Amplio's government and legislative branches. As will be seen, the strong linkage that the Uruguayan left-wing coalition had with trade unions, based on an historical equal relationship, continued when the coalition came to power. One expression of the strong linkage between Frente Amplio and PIT-CNT was the continued relevant participation of trade union representatives/advisors in the government and legislative branches. In particular, the number of trade union-related legislators increased when Frente Amplio came to power. Similarly, trade union-linked officials participated as Ministers of Labour and as relevant officials in the Ministry of Labour and other ministries. Therefore, the presence of trade union-linked government officials or legislators highlights the strong linkage of the Uruguayan coalition and trade unions. In particular, the strong linkage expressed in the relevant presence of trade union representatives/advisors was decisive to expanding wage policies and for introducing collective bargaining reforms.

The PIT-CNT and Frente Amplio relationship evolved through the process of democratisation through different periods, building together an agenda of labour reforms. As mentioned before, the first democratic government set the standard in the sense that the reintroduction of Wage Councils was a feasible aim. The experience of the first Sanguinetti government showed that expanding collective bargaining to many sectors and providing adequate technical support for the negotiations of both stakeholders were possible policy objectives. On the other hand, the deactivation of Wage Councils in Lacalle's government (1990-1995) brought the need to reactivate collective bargaining policies as a clear goal for PIT-CNT and

Frente Amplio. However, as many interviewees observe (Interview #36, Interview #40, Interview #42, Interview #48), the deactivation of Wage Councils weakened the power/influence of trade unions during the 1990s. Consequently, the deactivation of Wage Policies also highlighted the need of PIT-CNT and Frente Amplio to introduce policies for a) facilitating and increasing trade union affiliation and b) protecting trade union representatives' rights. As one interviewee (Interview #42) notes, "we could not conceive improving wage policies without empowering trade unions". In that sense, Frente Amplio and PIT-CNT's agenda for wage policies was conceived as part of a broader policy goal that included reforms to empower trade unions in Uruguay.

There were also other experiences that shaped the wage policy agenda between Frente Amplio and PIT-CNT during the democratisation process. In the second Sanguinetti government (1995-2000), there were meetings between the government and representatives of both trade unions and business elites for analysing a possible joint proposal for a new collective bargaining law. As some respondents (Interview #36, Interview #42, Interview #48, Interview #53) mention, even though the meeting did not finish in a proposal, it helped to bring to the fore the topics involved in a more complex collective bargaining debate. The interviewees also mention the importance of the second Sanguinetti government's discussions in setting the collective bargaining Frente Amplio goal based on Wage Councils. One respondent (Interview #48) observes that the discussion at the end of the 1990s was focused on enforcing collective bargaining at company level. Another interviewee (Interview #36) notes that, "this would have changed our sector level collective bargaining (...). Therefore, trade unions and Frente Amplio realised the need to recover Wage Councils". Some interviewees (Interview #36, Interview #42, Interview #48) mention that the idea of reintroducing Wage Councils was explicitly agreed between Frente Amplio and PIT-CNT during several meetings in 2003 and 2004. In those meetings, the reintroduction and enforcement of Wage Councils was set as a top priority for Frente Amplio considering the real option of reaching government in 2005. As one interviewee (Interview #48) observes, "we knew Frente Amplio was going to be government (....) That was our best chance for both trade unions and Frente Amplio to make reforms to improve collective bargaining policies".

Besides the clear historical connection with trade unions as a key constituency for setting wage policies, Frente Amplio's character as a strong linkage coalition was expressed through

the participation of trade unions in both government and legislative institutional bodies. As table 4.5. shows, Frente Amplio clearly changed the pattern of the Ministry of Labour in Uruguay, appointing former trade union representatives/advisors to top ministerial positions. That was the case for all five Ministers of Labour from 2005 to 2015, who all had links with PIT-CNT or trade unions at sector level. The participation of former trade union-linked officials also included other top positions in the Ministry of Labour and in other ministries throughout the first two Frente Amplio governments. As several respondents (Interview #32, Interview #34, Interview #36, Interview #42) observe, the participation of trade union-linked officials in the government, and in the Ministry of Labour in particular, was relatively new for the political system at the beginning of Frente Amplio's first term. However, the situation became normalised with the increasing participation of trade union-linked officials in more technical and political branches, such as the Ministry of Internal Affairs, the Bank of Social Security and the Ministry of Economy. As one interviewee (Interview #34) mentions, "it was something (trade union-linked officials) relatively new but as time went by we did the job as everybody else before us". Another respondent (Interview #42) points out that the participation of trade union-linked officials was an opportunity for legitimacy: "if business men and different professionals could be part of a government, why we (former trade union representatives) couldn't? (...) We did as well as the others".

Table 4.5. Ministers of Labour in Uruguay. 1985-2015

Minister	Start	End	Administration	Political affiliation 1/	Previous link to trade unions 2/
Hugo Fernández	Mar-85	Jun-89	Sanguinetti (1)	Partido Colorado	No
Luis Brezzo	Jun-89	Mar-90	Sanguinetti (1)	Partido Colorado	Yes
Carlos Cat	Mar-90	Aug-91	Lacalle	Partido Nacional	No
Álvaro Carbone	Aug-91	Sep-93	Lacalle	Partido Nacional	No
Ricardo Reilly	Sep-93	Mar-95	Lacalle	Partido Nacional	No
Ana Lía Piñeyrrúa	Mar-95	Dec-99	Sanguinetti (2)	Partido Nacional	No
Juan Ignacio Mangado	Dec-99	Mar-00	Sanguinetti (2)	Partido Colorado	No
Álvaro Alonso	Mar-00	Nov-02	Batlle	Partido Nacional	No
Santiago Pérez del Castillo	Nov-02	Mar-05	Batlle	Partido Colorado	No
Eduardo Bonomi	Mar-05	Jul-09	Vásquez (1)	Frente Amplio	Yes
Julio Baraibar	Jul-09	Mar-10	Vásquez (1)	Frente Amplio	Yes
Eduardo Brenta	Mar-10	Dec-13	Mujica	Frente Amplio	Yes
José Bayardi	Dec-13	Mar-15	Mujica	Frente Amplio	Yes
Ernesto Murro	Mar-15		Vásquez (2)	Frente Amplio	Yes

Source: Ministerio del Trabajo y Seguridad Social del Uruguay.

1/ When starting as minister

2/ Reviewing CVs. Includes previous direct work with trade unions organisations.

(1) First period

(2) Second period

The same importance of PIT-CNT as a key member of Frente Amplio could be addressed through the participation of former trade union representatives or trade union advisors as Frente Amplio legislators. As table 4.6. shows, throughout the democratic transition the participation of trade union-linked legislators increased by five times, starting with 5 legislators in 1985-1990 and reaching 25 in 2005-2010, the term when Frente Amplio reached government and gained a majority in both the Congress and the Senate. On the other hand, the relative participation of trade union-linked legislators in Frente Amplio was not inferior to 19% (at the beginning of the democratic transition), reaching an average of almost one third (32.5%) of total Frente Amplio legislators from 1985 to 2015. Either in absolute or relative terms, the participation of trade union-linked legislators in Frente Amplio increased during the two periods (2005-2010 and 2010-2015) that the left-wing coalition had a majority in the legislative and ruled the country. As different current and former legislators (Interview #39, Interview #40, Interview #47, Interview #54) mention, their participation as congressmen with former trade union affiliations reinforced the linkage between PIT-CNT and Frente Amplio, facilitating the implementation of the labour agenda, including collective bargaining reforms. In that sense, interviewees also note that the wage policy agenda was supported and encouraged by the direct voice of trade unions in the legislative. As one interviewee (Interview #39) points out, “that was extremely important. One thing is that you (referring to Frente Amplio) have a policy statement. Another (thing) is that you have people completely committed to those policy reforms asked by workers”. Another interviewee (Interview #47) also notes that, “we, as workers representatives, knew what we were discussing. The strength of our argument was based on our own experiences throughout years of trade union work”.

Table 4.6. Uruguay: Participation of trade union-linked legislators in Frente Amplio. 1985-2015

Legislative branch/Period		1985-1990	1990-1995	1995-2000	2000-2005	2005-2010	2010-2015
Senate	Links with trade unions a/	1	2	4	2	3	3
	Total Frente Amplio	6	7	9	12	17	16
	Ratio	16.7	28.6	44.4	16.7	17.6	18.8
Congress	Links with trade unions a/	4	10	8	14	22	21
	Total Frente Amplio	20	21	31	40	51	51
	Ratio	20.0	47.6	25.8	35.0	43.1	41.2
Total	Links with trade unions a/	5	12	12	16	25	24
	Total Frente Amplio	26	28	40	52	68	67
	Ratio	19.2	42.9	30.0	30.8	36.8	35.8

Source: Own elaboration based in legislators' CVs

a/ Links with trade unions are established based on legislator's participation in one point of their lives as trade union's representatives, as legal advisors or as part of interunions negotiation groups

The important participation of PIT-CNT in the Uruguayan left-wing coalition representation in the legislative, also facilitated the articulation of wage policy reforms with the government based on mutual trust. The agenda setting of labour reforms -including collective bargaining- was easier considering the mutual trust that legislators and government officials (also linked to trade unions) had after years of collective work in opposition (Interview #36, Interview #39, Interview #40, Interview #47, Interview #54). As one respondent (Interview #47) points out, “we discussed the contents (of the reform proposals) but the discussion was about little details. (...) We previously (referring to the process before arriving to power) agreed the core of the reforms”. Another respondent (Interview #39) notes that, “we knew each other (referring to government officials) quite well. We were totally aligned and delivered (the reform) very fast”. In addition, the connection between trade unions and Frente Amplio was also seen as an impenetrable obstacle for an open debate on the reforms (Interview #44, Interview #45). As one opposition legislator (Interview #45) mentions, “they had cooked everything. There was no chance for a proper debate. (...) They coordinated to have everything ready”. In that sense, the opposition regarded the connection between trade unions and Frente Amplio in the legislative as functioning like clockwork, in an expeditious manner, facilitating a fast approval of Frente Amplio’s reform proposals.

Another issue associated with the relationship between trade unions and Frente Amplio in government and the legislative, were the effects on the structure of PIT-CNT of the

participation of trade union-linked government officials and legislators. The participation of several trade union-linked Frente Amplio government officials and legislators during Frente Amplio's first term in government generated a problem in the leadership of the trade union movement, that needed to replace them with new leaders (Interview #36, Interview #39, Interview #42, Interview #47, Interview #48). As one interviewee (Interview #47) observes, "it obviously generated an important loss of good leadership. Then we were in government or congress positions but who replaced us in PIT-CNT did not have enough experience". Another respondent (Interview #42) mentions that "It took a time before they (the new leaders at PIT-CNT) could really have the skills. But they are good leaders (...) We all put an effort to empower them". For other respondents (Interview #44, Interview #45), some of the new leaders in the trade union movement were more confrontational. As one of them (Interview #45) notes, "they were more direct in taking force measures. (...) They used less dialogue and more action". The more confrontational position of the new leaders in the trade union movement was seen as a way to demonstrate the independence of PIT-CNT vis-à-vis Frente Amplio. As one respondent (Interview #36) observes, "the trade union movement in Uruguay has always been independent. It's in its anarchist origin (...) we as Frente Amplio knew it and we accept the fact that they have their own agenda".

The participation of several trade union leaders in government and the legislative, also produced a problem of identification and agency. There were trade union-linked officials and legislators that felt more pro-PIT-CNT than Frente Amplio members, whilst others considered themselves more part of the left-wing coalition structure. In that sense, loyalties were divided. However, the importance of actively implementing wage policies was a consensual goal. As one interviewee (Interview #47) says, "we are trade unionists. That is our nature. (...) It goes beyond Frente Amplio". In other cases of trade union-linked government officials (Interview #32, Interview #34, Interview #36), Frente Amplio's project was as important as trade union agenda. As one interviewee (Interview #34) points out, "we (as Frente Amplio) have a reforms' agenda that has been important for everybody. Including trade unions (...) The project is inclusive and transformative. We need to support it".

This section analysed the influence on wage policymaking of trade union representatives/former advisors participation in the Frente Amplio government and

legislative branches. As discussed throughout this section, the strong linkage that the Uruguayan left-wing coalition historically had with trade unions, allowed the construction of a consensual labour reform agenda. The commitment of Frente Amplio to that agenda was expressed in its openness to the inclusion of trade union representatives/advisors in government and the legislative branches. The democratic transition in Uruguay facilitated a process of participation for trade union-linked legislators at the beginning of the democratic transition. Moreover, their participation augmented when Frente Amplio came to power. The importance of trade union-linked officials was also seen in the Frente Amplio governments, as they were designated Ministers of Labour. Moreover, trade union-linked officials also took relevant positions in the Ministry of Labour and other ministries. Therefore, the extended presence of trade union-related legislators and officials in Frente Amplio shows a “strong” linkage between it and the trade union agenda that influenced the activation of wage policies, particularly the inclusion of collective bargaining reforms.

4.2.2. The absence of pro-business parties in Frente Amplio

This section discusses the importance in the Uruguayan left-wing coalition of parties that also have important links to business and how these parties influence the active use of wage policies. As is presented throughout this section, there is no evidence of parties in Frente Amplio linked to business elites’ agendas. In part, this is explained by the nature of Frente Amplio, that during its history vindicated workers agendas and had a critical opposition to traditional parties. Additionally, the political system in Uruguay reduces the likelihood of having dominant parties inside a coalition. As a result of the lack of parties linked to business elites in Frente Amplio, there was no need for transactions that might need to include business elites demands, facilitating the coalition’s alignment to trade union agendas for wage policies.

As mentioned before, Frente Amplio was part of a different democratic transition process. Conversely to Chile, where Concertación had to deal with a difficult democratic transition from the beginning, Frente Amplio was part of a democratic transition characterised by the fast reimplementation of democratic institutions. As Linz and Stepan (1996) highlight, the relationship among Uruguayan parties and between parties and institutions was loyal in the

sense that political parties were committed to democratic re-installation. In addition, military forces returned to a more institutionalised position. In that sense, without the pressure of a possible democratic reversal, political parties and political actors' behaviour generated an environment that facilitated the normal functioning of democratic institutions. Consequently, Uruguayan political parties were more focused on growing electorally through their agendas rather than in confronting any authoritarian institutional enclave. In that sense, Frente Amplio had more freedom to follow its agenda and discourse without any institutional/economic legacy from the dictatorship.

During the post dictatorship period, Frente Amplio's participation in the parties' system represented different aspects that characterised the Uruguayan democratic transition. A first element is associated with the incorporation of Frente Amplio into the democratic system. The party's left-wing origin and its close relationship with trade unions resulted in its banning during the military regime. However, the negotiations that followed the plebiscite that allowed the democratic reinstallation included Frente Amplio representatives. As a result, Frente Amplio was integrated into the November 1984 electoral process and into the political system. A second element was Frente Amplio's electoral growth during the democratic transition. In the 1984 elections, the party was the third national electoral force. Nevertheless, Frente Amplio gained electoral support, particularly in Montevideo, where the party ruled the capital city from 1990. The left-wing coalition used a discourse that criticised Partido Colorado and Partido Nacional policies but without questioning the legitimacy of the democratic origin of their governments. Consequently, Frente Amplio strategy did not erode the democratic system but contributed to generating alternatives from inside. Furthermore, as a democratic opposition, Frente Amplio gradually produced an agenda of alternative policies that configured its government programme. As a result, the process created arguments to support the idea that Frente Amplio was a left-wing programmatic coalition (Bogliaccini, 2012).

One of the premises for all parties and groups that have been part of Frente Amplio is close relationships with trade unions and the prioritisation of pro-union labour reforms. During the democratisation process, both in opposition and in government, Frente Amplio was composed of various groups that represented a diversity of constituents but were aligned in

their commitment to trade unions. At its origin (1971), Frente Amplio was formed by heterogeneous parties from the left (Communists, Socialists), centre (Christian Democrats), leftist independents, and splinters from Uruguay's traditional parties (Luna, 2007). However, Frente Amplio's composition through time included a similar heterogeneous base with a discourse that challenged traditional parties and the pro-market system. From the 1970s and 1980s, a pro-labour approach was shaped by the Communist party, Marxist-Leninist version of labour, where party and trade union leaders had permanent dialogue and pro-labour reforms were a primal policy goal (Ibid.). Though, in order to increase its electoral base, one of the premises of the party was the need to moderate its discourse without losing its agenda (Lanzaro, 2000; Luna, 2007). In that regard, the logic of an agreed approach on the importance of labour reforms and the close relationship with trade unions continued during the 1990s and 2000s but with more moderate discourse on other policies, to attract young supporters and those disenchanted with traditional parties.

There was also an electoral aspect that contributed to the dilution of power resources among all Frente Amplio factions and parties. As per "Lemas law"⁹, Frente Amplio included different lemas or electoral groups in each election. As Table 4.7. shows, Frente Amplio augmented the number of electoral groups from the beginning of the transition. From the 5 (1985) and 4 (1990) lemas and 21 legislators the coalition had in the first two elections, the number of lemas and legislators augmented through the 1990s and 2000s. The 2005 election was the pinnacle of the number of lemas (9) and elected Frente Amplio legislators (52), and in the same year the left-wing coalition elected its first president, Tabaré Vázquez. Therefore, the strategy that Frente Amplio used to gain electoral support was based on increasing the number of lemas that represented a variety of policy demands. There were periods when some lema gained ground but neither had a gravitational position over time. The exception was Espacio 609 (MPP before the 2010 presidential election), linked to former president José Mujica, an anti-capitalist lema with a clear pro-labour policy approach. In that sense, the ground that Mujica's lema gained in Frente Amplio, clearly highlighted the commitment of the left-wing Uruguayan coalition to the trade union wage policy agenda.

⁹ The law organised electoral participation through factions (lemas) inside political parties. These factions compete for candidate nominations before the electorate.

Table 4.7. Uruguay: Congress Composition of Frente Amplio by lemas 1/. 1985-2015. (in number of Congress representatives by parliamentary period)

Lemas	1985	Lemas	1990	Lemas	1995	Lemas	2000
Frente Amplio	21	Frente Amplio	21	Frente Amplio	31	Frente Amplio	39
Democracia Avanzada	4	Democracia Avanzada	5	Alianza Progresista	1	Alianza Progresista	6
IDI	1	Lista 1001	11	Asamblea Uruguay	17	Asamblea Uruguay	8
Lista 99	13	MPP	2	Corriente Popular	1	Espacio 90	14
Partido Socialista del Uruguay	2	Vertiente Artiguista	3	Espacio 90	6	Liga Federal	1
PDC	1			Lista 1001	2	Lista 1001	1
				MPP	2	MPP	5
				Vertiente Artiguista	2	Vertiente Artiguista	4
Lemas	2005	Lemas	2010	Lemas	2015		
Frente Amplio	52	Frente Amplio	51	Frente Amplio	50		
Alianza Progresista	3	CAP-L	2	Casa Grande-PVP	2		
Asamblea Uruguay	8	Espacio 609	25	Espacio 609	25		
Espacio 90	10	Espacio 90	9	Espacio 90	5		
Liga Federal	1	Frente Liber Seregni	10	Frente Liber Seregni	9		
Lista 1001	1	Liga Federal	1	Liga Federal	1		
MPP	20	Lista 1001	2	Lista 1001	1		
Vertiente Artiguista	4	Vertiente Artiguista	1	Lista 6009	1		
Unión Frenteamplista	1	Independiente	1	Lista 711	6		
Nuevo Espacio	4						

Source: Composition at the start of the Parliamentary period. Asamblea General del Uruguay and Frente Amplio (<http://www.frenteamplio.org.uy/>).

1/ Lemas are party groups associated under a distinctive name. Nevertheless, they all are part of the same coalition.

As a consequence of both historical and electoral processes, even though there were different factions within Frente Amplio, labour reforms were a topic that generated more consensus among parties than other policies. This consensus between different parties in Frente Amplio was essential for the construction of the “strong” linkage between Frente Amplio and trade unions (Interview #36, Interview #40, Interview #42, Interview #57). In particular, PIT-CNT leaders and former trade union representatives that were part of Frente Amplio in government and the legislative believe that beyond any personal position or party inside Frente Amplio, members of the coalition truly believed in the importance of the expansion of wage policies. As one interviewee (Interview #42) notes “Am a Communist, with a strong pro-trade union position. But I have not seen any contrary position (on labour policies) in any party or member of Frente Amplio”. As a consequence of the homogenous pro-trade union approach in Frente Amplio with regard to wage policy, the opposition parties and business elite representatives had a clear sense of an anti-business elite position (Interview #30,

Interview #31, Interview #44, Interview #45, Interview #52). As one respondent (Interview #44) observes, “they (Frente Amplio) voted (on wage reforms) as a compact block. There was no interest in any dialogue either with opposition or business elites”.

In this section I analysed the importance of pro-business elites’ parties in Frente Amplio and their possible influence on wage policies. As was discussed in this section, no party in Frente Amplio showed links to business elite agendas. This could be explained by the nature of Frente Amplio; that beyond parties’ preferences, built a solid pro-trade union position and a critical opposition to both traditional parties and pro-market policies. Furthermore, the pro-trade union agenda was a cause for consensus between all parties in Frente Amplio. On the other hand, due to the political system of lemas, the possibility of strong parties inside the Uruguayan left-wing coalition was limited, excepting for the dominance of the pro-labour party led by José Mujica in the period 2000-2015. Consequently, the absence of a party or faction linked to business elites, strengthened the “strong” linkage party character of Frente Amplio, generating trust in trade unions and facilitating the expansion of wage policy.

4.2.3. Different actors on wage policy: the more equal relationship between the Ministry of Labour and the Ministry of Economy

This section discusses the internal organisation of different arenas and actors in Frente Amplio and its impact on wage policymaking. As was discussed above, the interactions of actors in government and the legislative branches could force changes in the structure of wage policy. Nevertheless, the experience of Frente Amplio provides evidence that the alignment of government officials at the micro and meso arenas, and legislators at the macro arena contribute to an easier path in the activation of wage policies and the strengthening of the linkage with trade union agendas.

As discussed in section 4.1.3., I identify three arenas (micro, meso and macro) inside left-wing coalitions where actors interact in the policymaking of wage policies. The micro arena refers to the discussions in the Ministry of Labour, where labour reforms are originally drafted. At this level the internal composition could imply different points of view between the minister and his/her cabinet or between different departments that are related to the proposal. The meso arena denotes the debates between ministries, highlighting the role that the Ministry

of Finance plays in the decision making of wage policy. Finally, the macro arena is located at the legislative, where wage policy proposals are discussed politically with the opposition and coalition legislators. At this level, members of the coalition can oppose wage reform if they have concerns about topics like macroeconomic stability or the impact of wage policy on SMEs.

In the case of the Frente Amplio governments, the linkage with trade union agendas and the coalition's commitment to implementing wage policy reform produced an alignment of Frente Amplio members at the three arenas of policymaking. As mentioned in section 4.2.1., former PIT-CNT representatives or advisors were Ministers of Labour during Frente Amplio's periods in power. Furthermore, government officials linked to trade unions occupied several positions at the Ministry of Labour. Consequently, there was a cohesive approach inside the ministry to organise pro-trade union proposals for labour reform. As one interviewee (Interview #36) observes, "we had a clear goal in our minds, that was making wage reforms to happen as soon as possible. (...) to do that all cabinet members and departments had a clear idea of the importance of those reforms". Another respondent (Interview #42) who was an important PIT-CNT representative also observed that, "I came here (Ministry of Labour) to work for the workers. Am totally committed with my comrades. If I would have seen anything against them I would have denounced it and quit. But nothing like this has ever happened".

The meso arena shows a similar structure of alignment between the Ministry of Labour and the Ministry of Economy. In particular, this alignment was clear during the first Frente Amplio government when the core of wage policy reforms were implemented. That period was characterised by a more equalitarian relationship between the Ministry of Labour and the Ministry of Economy. Therefore, a more balanced power distribution between the two ministries helped foreground the agenda of labour reforms and gave the Ministry of Labour a leading position (Interview #36, Interview #40, Interview #42). As one respondent (Interview #36) mentions, "the change in the first (Frente Amplio) term was particularly at government level, were the Ministry of Labour had the leading word for (labour market) reforms proposals". Accordingly, the discussions and elaboration of how Wage Councils were going to function, the drafts of the collective bargaining act and the increases of the national minimum wage, were topics discussed by the Ministries of Labour and Economy. However, the political

implementation and articulation was more important for the Ministry of Labour. One respondent (Interview #40) observes that:

“we were coordinated. (The Ministry of) Economy provided the information that allowed Wage Councils to negotiate but (the Ministry of) Labour had to support the implementation of the councils. The same (the Ministry of Labour in a leading position) when reforms were discussed”.

The importance at government level of the Ministry of Labour was also seen as a reassuring symbolic element for Frente Amplio's constituency. As one respondent (Interview #42) notes, “there was a symbolic part, very important for trade unions: the discussions were led by (the Ministry of) Labour”. In that sense, Frente Amplio's empowerment of the Ministry of Labour by giving it a vocal position in the wage policymaking, enforced its relationship with trade unions.

As with the first two arenas, the macro arena also shows a strong alignment between the legislative and government branches of Frente Amplio. During the left-wing coalition's first term in power, different actors linked to Frente Amplio's wage policymaking worked in alignment at government and legislative levels, facilitating the process of wage policy reform. Consequently, according to the interviewees, during the introduction of reform proposals there were no clear veto actors, particularly in the legislative (Interview #36, Interview #39, Interview #40, Interview #54). As one interviewee (Interview #39) observes, “we worked quite aligned. Either in government or in Congress, we agreed on the contents of the proposals. (...) we wanted to implement reforms and acted accordingly. Because everybody (in Frente Amplio) had this in mind”. Similarly, the coming to power of the left-wing coalition generated changes in the legislative, particularly in the way the policy agenda was discussed in Frente Amplio. As another respondent (Interview #54) highlights, “if you see what happened previously (to the arrival of Frente Amplio to power), with Frente Amplio the government and the legislative were more aligned in the discussion of labour reforms”. Additionally, this alignment between legislators and government officials was facilitated by the leading role of the Ministry of Labour for wage policymaking. As one interviewee (Interview #39) observes, “it was easier for us to talk to the Minister (of Labour) or the person who represented the Ministry (of Labour) during the reforms. It gave us reassurance”.

This section analysed the impact of the interactions of actors in three arenas in the wage policymaking of Frente Amplio in Uruguay. As has been seen throughout this section, the alignment of government officials for wage policy reform at the micro and meso arenas, and between government officials and legislators at the macro arena, contributed to an easier path in the expansion of wage policies and the strengthening of the linkage with trade union agendas. Consequently, the structure of micro, meso and macro arenas in the Uruguayan left-wing coalition did not affect the expansion of wage policies due to the alignment between actors at the three policymaking arenas.

4.3. The importance of party linkage on wage policymaking

4.3.1. Three spheres where party linkage shaped wage policymaking

During the discussions developed throughout this chapter, the party linkage of the left wing or centre-left wing coalitions that ruled Chile and Uruguay appeared as an important variable for understanding wage policymaking in both countries. The strengthening of the linkage between party elites and trade unions is a key factor in separating left-wing programmatic coalitions like Concertación in Chile and Frente Amplio in Uruguay. In that sense, the “soft” or “strong” linkages between left-wing coalitions and their main constituency in the labour market –trade unions- have been discussed through three different spheres: 1) participation of trade unions 2) the importance of parties more open to business agendas, and 3) the alignment of actors at different policymaking arenas. As was analysed in each country section, each sphere influenced the coalition’s ability and willingness to implement or expand wage policies.

As was seen in sections 4.1.1. and 4.2.1., the relationship between the coalitions and trade unions was different in Chile and Uruguay during the Concertación and Frente Amplio governments. In the case of Chile, the historical subordination that trade unions had with the state continued during the Concertación governments whilst in Uruguay, the more equalitarian relationship that Frente Amplio and PIT-CNT historically had was sustained when Frente Amplio came to power. In particular, the subordinated Chilean relationship implied a low participation of trade union representatives/advisors in the legislative and the

government. On the contrary, the more egalitarian relationship that Frente Amplio had with trade unions was displayed in the higher participation of trade union representatives/advisors as government officials and legislators. Moreover, these differences were also expressed in the predominance of trade union-linked Ministers of Labour in Uruguay, whilst the proportion of such ministers was comparatively lower in Concertación. Likewise, the Chilean coalition also showed a decreasing participation of trade union-linked legislators that contrasted with the increasing participation of trade union-linked legislators throughout Frente Amplio's governments. Additionally, the differing willingness to include trade union-linked members in both coalitions clearly expressed the nature of the linkage among both centre-left and left-wing coalitions with trade union agendas for wage policy. Moreover, the soft linkage in Concertación was useful to contain trade union demands from inside the Chilean coalition in a hostile democratic transition whilst the strong linkage in Frente Amplio guaranteed trade union participation in the coalition to prioritise the implementations of trade union agendas for wage policy. As a result, the dynamics of these linkages generated an effect on trade union political muscle. Thus, the unsuccessful activation of collective bargaining reforms in Chile significantly reduced the ability of trade unions to attract new members. Therefore, the fall of trade union membership weakened trade unions, exacerbating their relationship of subordination to Concertación. On the contrary, the success in the implementation of active wage policies, along with other labour reforms for workers, empowered trade unions in Uruguay, which generated an increase in unionisation rates in the country during the Frente Amplio governments. In that sense, the political muscle of PIT-CNT increased, reinforcing its position as an equal partner of Frente Amplio in the implementation of wage policies.

The influence of parties that also have important links with business elites, discussed in sections 4.1.2. and 4.2.2., also shows clear differences in Chile and Uruguay. CDP being the Concertación party with the most vote, its prevalent position at legislative and government levels continued throughout the 1990s and 2000s. Consequently, CDP had a dominant position in Concertación's approach to the policymaking of socioeconomic policies, including wage policy. In the case of Uruguay, the political system of lemas inside parties, did not allow the clear rise of any party in Frente Amplio, until the emergence and later dominance of the pro-labour party led by José Mujica in the period 2000-2015. Additionally, CDP's majoritarian position in Concertación privileged macroeconomic stability and a non-conflictive democratic

transition. Moreover, CDP's centrist political nature and its historic relationship with the middle classes and SMEs, served as an entry point inside the coalition for business elites' demands about wage policymaking. On the contrary, the historic relationship between trade unions and Frente Amplio and the dominant position of the Communist party on labour policies, shaped the pro-trade union approach to active wage policies that continued before and after Frente Amplio came to power. Finally, the CDP position in Concertación produced a need to balance different demands between business elites and trade unions for wage policies whilst pro-labour wage policies were a cause for consensus between all parties in Frente Amplio.

The analysis in sections 4.1.3. and 4.2.3. show significant differences between the role of different policymaking arenas in wage policymaking during Concertación and Frente Amplio governments. In particular, whilst Frente Amplio was characterised by the alignment of government officials (micro and meso arenas) and legislators (macro arenas) to facilitate the implementation of wage policy reforms, actors at the three levels in Chile limited the implementation of collective bargaining reforms. In the case of the Chilean centre-left wing coalition, the role of actors at the micro arena was linked to differences that existed between the Minister of Labour and his/her cabinet or between departments inside the ministry. Conversely, in Frente Amplio's governments there were no discrepancies among Ministry of Labour officials because of the majoritarian presence of trade union-linked government officials in that ministry. At the meso arena, the Ministry of Finance during the Concertación's governments was pivotal for the setting of socioeconomic policies and applied the economic growth imperative as a main policy driver. Moreover, the Chilean Ministry of Finance had a dominant position over all ministries, including the Ministry of Labour. On the contrary, for the setting of wage policy reform, the Ministry of Labour in Uruguay played a leading role that was supported by the Ministry of Economy during the Frente Amplio administrations. Finally, at the macro arena the alignment Frente Amplio had to support wage policy reforms continued in the legislative, where lawmakers showed confidence in government proposals. On the other hand, the macro arena in Chile was characterised by a more critical position from Concertación legislators that were concerned with the possible effects of wage reform on SMEs and economic growth.

4.3.2. The participation of trade unions in ruling coalitions as a key expression of party linkage in wage policymaking

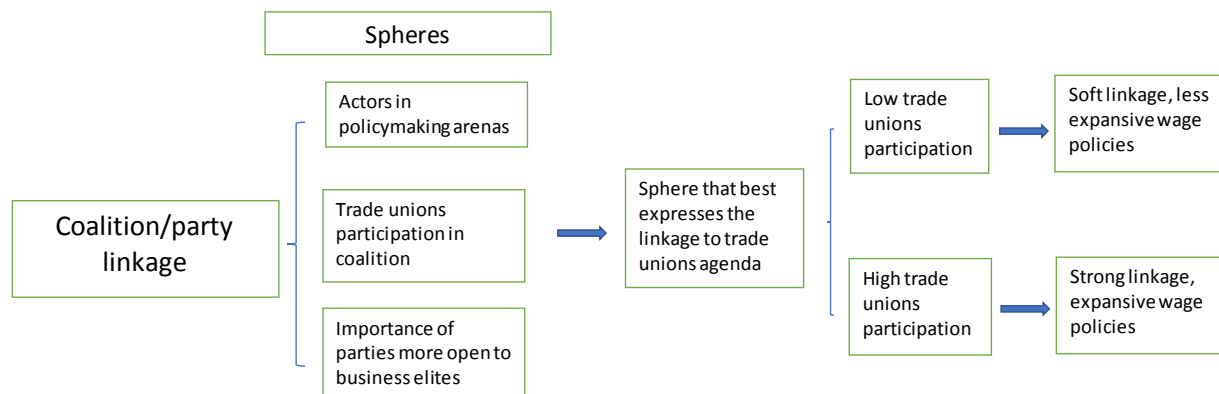
Along with the discussion of the differences of the three spheres linked to the influence of party linkage in the active use of wage policy, the identification of how these spheres interact is relevant. In particular, the question of primacy is equally important: which sphere has more influence than the others? Consequently, the discussion in this section explores the nuances of these spheres and how the party linkage is reflected in one specific area of wage policymaking. In that regard, this section explores the interconnection that the three spheres have and the relevance of the participation of trade unions in left-wing or centre-left wing coalitions as a key characteristic of their commitment for expansive wage policymaking.

As has been discussed throughout this chapter, the definition of party character is linked to how soft or strong the linkage with trade unions is. Accordingly, I identify three spheres where this linkage influenced the wage policy making (Figure 4.1.): 1) participation of trade unions 2) the importance of parties more open to business agendas, and 3) the existence of alignment/disagreement of actors at different policymaking arenas.

By analysing the interaction of these spheres, the discussion on the primacy among spheres tends to highlight the relevance of the subject of with whom the coalition establishes the linkage. Hence, even though in all three political spheres trade unions are part of the debates, their presence in the coalition is the clearer representation of the strength of their linkage with the coalition. As the cases of Uruguay and Chile show, there were two different patterns of trade union participation in Frente Amplio and Concertación. Whilst in the Uruguayan left-wing coalition the participation of trade union-linked legislators was higher and tended to increase, in the Chilean left-wing coalition trade union-linked legislators' participation was lower and decreasing. In addition, the presence of government officials with links to trade unions was higher and more relevant in Frente Amplio at the Ministry of Labour compared to Concertación. Furthermore, Frente Amplio tended to have trade union-linked officials with key positions in other ministries and departments whilst the Chilean coalition did not have trade union-linked officials in other government offices. Consequently, the numerical presence of trade unions in the legislative and the government is a clear signal of the willingness of a left-wing or centre-left wing coalition to include trade unions in the discussion

and implementation on labour policy in general and wage policy in particular. Therefore, the stronger linkage with the trade union wage policy agenda implies an important numerical presence of trade unions in both branches of the coalition. Conversely, a softer linkage is expressed in lower direct participation that impacts the coalition's capacity to expand wage policies.

Figure 4.1. Different spheres of Coalition/party linkage for wage policies policymaking



The importance of trade union participation in left-wing or centre-left wing coalitions also influenced the other two spheres. As discussed in the analysis of different policy arenas where actors interact, the higher presence of trade union-linked officials at the Ministry of Labour in Uruguay allowed fast drafting and implementation of wage policy proposals. Likewise, the existence of a higher and increasing number of trade union-linked legislators underpinned the agreements in the legislature. Similarly, the higher presence of trade union-linked officials and legislators also framed the dynamics of ministerial coordination between the Ministries of Economy and Labour. As a result, during the implementation of wage policy reforms, the Ministry of Labour had a leading role supported by the Ministry of Economy in the technical setting of collective bargaining negotiations. On the contrary, the lower presence of trade union-linked officials at the Ministry of Labour during Concertación governments generated diverse points of views on the contents and timing for the implementation of collective bargaining reforms, changing or avoiding the implementation of a more active collective bargaining reform. Equally, the low and decreasing participation of trade union-linked legislators in Concertación contributed to the prevalence of a more balanced approach in the coalition to include the wage policy agenda of business elites in the legislative debate. As a

consequence, there were more heterogeneous positions at the legislative branch of Concertación that required internal negotiations, deterring the implementation of collective bargaining reforms. Finally, the low presence of trade union-linked representatives in the Concertación governments and legislative branches strengthened the power that the Ministry of Finance had in Chile to design wage policies. In that regard, the Ministry of Finance, more reactive to the active use of wage policies, exerted its veto power over the drafting of collective bargaining reform proposals.

The influence of the participation of trade unions was more nuanced when analysing its relationship with the sphere related to the importance of parties more open to the agenda of business elites. In the case of Frente Amplio in Uruguay, the large presence of officials and legislators linked to trade unions could be seen either as an expression of the unimportance of parties more open to business elites or as a clear manifestation within Frente Amplio of their commitment to trade union wage policy agendas. In the first case, the relationship between both spheres would be more influenced by the political composition inside the coalition. Hence, the unimportance of political parties linked to business elites would allow the higher presence of trade union representatives in the coalition. On the other hand, if the commitment of the coalition is clear, independently of the importance of parties more open to the agenda of business elites, the number of trade union-linked officials and legislators would enforce the pro-labour discourse and preferences of all parties in the coalition. Therefore, the commitment to the trade union agenda, enforced by the higher presence of trade union representatives in the coalition, would generate an alignment in all parties in the coalition, including those more open to business elites. Furthermore, the higher presence of trade union-linked officials and legislators in the left-wing coalition would prevent the possibility that parties could be more open to business elites, either in programmatic or discourse terms.

In spite of the fact that the relationship between the two spheres poses a problem for identifying causality, there are elements that allow us define a causal relationship in favour of the presence of trade union representatives within the coalition. First, the historical relationship that trade unions and Frente Amplio had before the Uruguayan coalition's arrival to power shaped the anti-business and pro-labour discourse of Frente Amplio. As discussed

before, the coalition's character was shaped by a clear pro-labour ethos that aligned all parties and coalitions members, unified under the idea of implementing labour reform once in power. Moreover, the number of trade union-linked legislators consistently increased from the mid-1980s (table 4.6.), and their proportion in the legislative when Frente Amplio came to power was higher than 35% of Frente Amplio's total legislators. Even though the proportion of trade union-linked legislators varied in the 1990s, the share of these legislators in Frente Amplio clearly increased from 2000. Therefore, the strategy of attracting more supporters to Frente Amplio in order to reach power (Luna, 2007), required a broadening of the scope of candidates. Consequently, the growth of legislators not linked to trade unions was higher than the rate of increase of trade union-linked legislators. In other words, the strategy to attract more supporters implied a growing number of candidates not linked to trade unions but also increasing -at a lower rate- the core participation of trade unions in Frente Amplio. In that sense, beyond the absence of more open-to-business parties in Frente Amplio, the higher increase of legislators not linked to trade unions could have implied discrepancies inside the coalition, including the possibility of considering the position on wage policy of business elites. Nevertheless, the linkage between Frente Amplio and trade unions expressed in the presence of trade union-linked legislators, aligned the positions of Frente Amplio legislators when wage reforms were implemented.

A second element to support the primacy of trade union participation over the position of parties more open to the agenda of business elites was the willingness that Frente Amplio had to include trade union-linked officials into the Ministry of Labour and other government offices. Even though the presence of trade union-linked Ministers of Labour was not new, the continuous presence of trade union-linked Ministers of Labour was a clear characteristic of Frente Amplio. Furthermore, ministerial cabinets also had a majority of trade union-linked officials who were aligned with pro-trade union wage reforms. In that sense, Frente Amplio went beyond expectations and instead of having a more nuanced composition in the Ministry of Labour (with more officials and ministers not linked to trade unions) the Uruguayan left-wing coalition preferred a clearly pro-trade union composition. Therefore, the approach Frente Amplio had for organising the Ministry of Labour shows a clear preference to allow its core constituency to draft and lead labour and wage policy reforms. In that sense, the commitment Frente Amplio had to the trade union agenda was even more radical than

expected because the coalition permitted trade unions to take full control of the first stage of decision-making for labour and wage policy. Consequently, the position taken by Frente Amplio to organise the composition of the Ministry of Labour with a majority participation of trade unionists seem to be more linked to the nature of their strong linkage with trade unions rather than internal party composition.

Frente Amplio's decision to include trade union-linked officials in other ministries and government offices also shows the relevance of this sphere beyond the presence or absence of parties more open to business. As discussed above, Frente Amplio had a more radical approach in terms of the presence of trade union-linked officials in the Ministry of Labour, highlighting Frente Amplio's commitment to trade unions. However, consideration of the political balances in Frente Amplio could have implied a strategic organisation of government based on the preferences of the constituency. Therefore, the Ministry of Labour would have been the natural space for trade unions to have influence. Though, there was no precedent or indication that trade unions were going to be part of other offices in government. Furthermore, trade union-linked officials participated in top positions in the Ministry of Internal Affairs and the Social Protection Bank. Consequently, Frente Amplio's decision to extend the participation of trade unions in government seems to have been beyond any strategy to balance governmental internal composition between parties and actors, independently of these stakeholders' preferences.

In the case of Chile, the analysis of the relationship among the two spheres is also nuanced but derives from the same causal identification. The internal power of CDP in Concertación influenced the approach of the Chilean centre-left wing coalition to wage policy, including economic stability and impact on SMEs, particularly in the 1990s. However, as table 4.4. shows, the political relevance of CDP inside Concertación tended to decrease over time. Therefore, the decreasing presence of CDP in Concertación's legislative representation reduced the pressure to not introduce wage policy reforms. Nevertheless, no collective bargaining reforms were debated in the 2000s. On the other hand, the presence of trade union-linked legislators in the Chilean coalition decreased constantly in all Concertación governments (table 4.2.). As a consequence, Concertación's soft linkage with the trade union agenda was clearly expressed in the decreasing political participation of trade unions inside

the centre-left coalition legislative branch throughout Concertación's periods in power. In that sense, the fact that the influence of CDP tended to be more residual in the 2000s whilst the reduction of trade union-linked legislators continued in that decade, suggests that the participation of trade unions was a clearer signal of the soft linkage of Concertación to trade union agendas.

Something different happened with the participation of trade union-linked officials in Concertación. In spite of the minimal presence of trade union-linked officials throughout the centre-left wing governments and at the Ministry of Labour, the 2000s Concertación had Ministers of Labour that had links with trade unions as former advisors. However, this could be considered more episodic than a key expression of Concertación's linkage to trade union agendas. Furthermore, the centre-left wing coalition did not experience structural changes in the Ministry of Labour composition or organisational changes in terms of empowering the Ministry of Labour vis-à-vis the Ministry of Finance. Moreover, the reduced participation of trade union-linked officials continued during Concertación's governments and the presence of Ministers of Labour who had links with trade unions did not change the limited capacity trade unions had to influence expansive wage policymaking. Therefore, the minimal participation of trade unions in the Concertación government and legislative branches was a clear indicator of its soft linkage to the trade union agenda.

4.4. Conclusion

This chapter shows the relevance, the levels and the mechanisms through which trade unions influence ruling coalitions in the making of wage policymaking and wage policy outcomes. The comparative analysis of Chile and Uruguay highlights the importance of the participation of trade unions in the left-wing or centre-left wing coalitions to characterise the coalitions linkage to their constituency agenda. As is shown in figure 4.1. and as was discussed throughout this section, the party linkage is expressed in three spheres that influence the active use of wage policies. Aspects such as the influence of parties that are also open to business agendas and the alignment of actors at different policymaking arenas are elements that express the party character. However, these aspects are less influential than the

participation of trade unions in centre-left or left-wing coalitions, that appears to be a fundamental factor in explaining the expansion of wage policies. Moreover, the presence of trade unions in the coalition's governments and legislative branches is a clearer expression of the linkage of the coalition to trade union agendas. Consequently, when the participation of trade unions in the coalition is higher it is more likely that the left-wing or centre-left wing coalition would expand wage policies. On the contrary, when trade union participation in these coalitions is lower, a less expansive use of wage policies is more likely. In that sense, the participation of trade unions is a more robust expression of the intensity of the linkage of the coalition to trade union agendas. To complement the analysis of wage policymaking in Uruguay and Chile, in the next chapter I discuss the importance of the legislative participation of the ruling coalition as a factor that allows/limits the expansion of wage policies.

Chapter 5. Legislative participation and its effect on wage policy in Chile and Uruguay

The legislative participation of ruling coalitions/parties has been addressed as an important element for the reform and expansion of social policy in Latin America. Moreover, legislative participation has been linked to electoral competition and how political expectations of future elections shape the policymaking of social policies (Pribble, 2013; Garay, 2017). In particular, the governments' ability to build legislative majorities has been key to understanding social policy in Latin America, particularly during the called "pink tide" of progressive governments in the 2000s. For Pribble (2013), electoral competition functions as a variable that conditions the discussions and final contents of social policies based on possible future electoral outcomes in the legislative. When higher electoral competition is expected, and there is a lower likelihood of achieving a legislative majority for the ruling coalition, the reforms of progressive coalitions are less ambitious for expanding social policies. In that case, ruling centre-left or left-wing coalitions or parties tend to negotiate the contents of the proposed reforms with opposition parties, moderating the aims to extend social policies. On the contrary, when a lower electoral competition is expected, the likelihood of achieving a legislative majority for a ruling coalition is higher. Consequently, the incentives to negotiate the proposed reforms in the Legislative are lower, resulting in reforms that are more active in expanding social policies for progressive coalitions.

In spite of its contribution to highlighting the importance for progressive coalitions of having a legislative majority to expand the coverage of social policy reforms, the definition of electoral competition as an explanatory variable faces some operational limitations. One problem is linked to the value that this definition gives to expectations on future electoral results. In that sense, the strategic forward-looking approach attributed to legislators and political parties in order to negotiate the contents of social policy reforms, somehow diminishes the importance of the current legislative composition. Furthermore, as the literature on policymaking in Latin America shows (Spiller et al, 2008) the availability of a majority in the Legislative during a current period (t) gives the political ground to start a discussion of a reform in the current period (t) and to increase the likelihood of a reform

approval. This more contingent approach to the policymaking of socioeconomic reform seems to be more robust than the idea of ruling coalitions strategically manoeuvring based upon electoral results in the next period ($t+1$).

Another issue in the operationalisation of electoral competition is linked to the timing of social policy reforms. Pribble's framework does not refer to the difference between the discussion and policymaking process of a social policy reform at the beginning, middle or end of a legislative period. In that regard, the timing of the introduction of a reform proposal for social policies and the political horizon for its discussion seem to play a relevant role in the discussion of the reforms contents. Furthermore, based on the legislative muscle that ruling centre-left or left-wing coalitions have in the current legislative period (t), particularly when they have a legislative majority, the strategic forward-looking approach seems to have less impact when reforms are discussed at the beginning or first half of a legislative period. Likewise, the pertinence of the strategic approach based on future legislative results could also be challenged considering the willingness of ruling coalitions to use their legislative majority at the end of the current period (t) if they foresee a reduction in the number of their legislators or the loss of their legislative majority in the next legislative period ($t+1$). As a consequence, it seems to be appropriate to reframe the conceptual framework of the variable and focus it on the legislative composition that ruling centre-left or left coalitions have in the legislative period (t) rather than in the possible effects that a future election ($t+1$) could have in the current legislative period (t) when reforming wage policy.

There are also other functional difficulties to conceptualising electoral competition. One complication is related to how, in cases like Chile, electoral competition was framed by the electoral and institutional legacies of the military regime. Furthermore, the Chilean "binomial" electoral system, which allocates seats to the first two most voted contestants, facilitated an over-representation of right-wing parties in the Legislative branch during the first two decades of the democratic transition. Nonetheless, despite the electoral majority that Concertación reached, particularly in the 1990s in both the Senate and the Congress, this electoral majority did not translate into an effective legislative majority. The presence of Designated Senators (*Senadores Designados*), an institutional artefact created by the military regime to have veto power in the Senate, operated as such in the 1990s, giving right-wing parties an advantage in the Senate. Consequently, at least in the case of Chile during the first

part of the democratic transition, the strategic forward-looking approach of the electoral competition variable, as well as its policymaking outcomes, are somehow pre-conditioned by the inherited electoral system and the institutional composition of the Senate.

To address the aforementioned issues for the analysis of wage policy, I am introducing the variable legislative participation. This variable considers the legislative composition in each presidential period and is organised in three categories: legislative minority, not-embedded majority and embedded majority. The first category means that when a ruling coalition is in a minoritarian position in the legislative, that ruling coalition needs to negotiate wage policy contents. In addition, I introduce a distinction among coalitions with a legislative majority. On the one hand, when trade unions have a significant legislative participation in the coalition, there is an embedded legislative majority. Consequently, in this case the coalition's majority is very likely to implement trade union agendas for wage policy. On the other hand, when trade unions have low legislative participation, the ruling coalition has a not-embedded majority that implies a lower likelihood to implement trade union agendas.

Finally, the wage policy outcome of variable legislative participation will depend on its interaction with the party linkage of the ruling coalition discussed in Chapter 4. Thus, even though a legislative majority is a necessary for a progressive coalition to expand wage policy, it is not a sufficient condition. In the particular case of wage policy, there have been periods when the ruling coalition in Chile had a majority in both chambers during the current legislative period (t) and there were no wage policy discussion on reforming collective bargaining. Furthermore, this chapter provides evidence obtained through interviews that even during periods when Concertación had no majority in the Legislative there were opportunities to start discussions on collective bargaining reforms that did not continue due to the party linkage of Concertación. In the case of Uruguay, interviews also provide evidence that, even in the case of having faced a legislative minority in the Legislative, Frente Amplio policymakers would have continued to advance with the same legislative reform agenda on wage policy. Consequently, this chapter argues that the explanatory capacity of the legislative participation variable depends on the party linkage to the trade union agendas of centre-left or left-wing coalitions in power.

This chapter analyses the evolution of the variable, legislative participation, and how it impacted wage policymaking in Chile and Uruguay. This section discusses how this variable shapes the political ground of Concertación and Frente Amplio in the legislative to introduce or limit wage policy reforms. This chapter examines the influence of legislative participation in the relationship of centre-left or left-wing coalitions with trade unions and business elites on wage policymaking. Additionally, this section highlights the importance of legislative participation in the way ruling coalitions and opposition parties interact in the policymaking of wage policy reforms. This chapter also finds that coalitions in power are more driven by their party-linkage to trade union agendas rather than by the political muscle they have in the legislative. Finally, this section also addresses the importance of other issues (timing) that have an impact on the formulation of wage policymaking linked to the legislative participation of centre-left or left-wing ruling coalitions. When the ruling coalition has an embedded legislative majority, they could speed up the agenda of wage policy reforms. However, when a coalition has a soft linkage to trade union agendas, this could diminish the impact of the legislative advantage, as will be seen in the Chilean case.

5.1. Giants with clay feet: not embedded majority coalitions in Chile

This section elaborates on the legislative participation of Concertación in Chile and how it limited the introduction of collective bargaining reforms throughout the 1990s and 2000s. To highlight the dynamic nature of interactions, the variable in this period is examined taking into consideration how Concertación's legislative participation has evolved from a legislative minority in the senate -due to institutional restrictions linked to the democratic transition- to a legislative majority in the late 2000s. In that sense, the absence of collective bargaining reforms in this period is linked to the low and decreasing participation of trade union representatives in Concertación. In that sense, trade unions were not embedded in Concertación's legislative participation. Furthermore, this section analyses how Concertación's legislative participation reflected the openness of the coalition to consider both business elites and trade union agendas for wage policymaking. Additionally, the Chilean case also illustrates the more important role that the soft party linkage has in shaping the political willingness in the Legislative to introduce and discuss reform of wage policy,

particularly for collective bargaining. As a result, the Chilean case shows that the ruling coalition promoted the active use of minimum wage in the legislative instead of collective bargaining, due to its inability to pass collective bargaining reforms in the Legislative.

5.1.1. The evolution of Concertación's legislative participation

This section analyses the evolution of Concertación's legislative participation in Chile and its impact on wage policymaking. In particular, this section shows how the bounded legislative composition and the electoral system reduced Concertación's representation in the Senate, restricting the coalition's ability to approve collective bargaining reforms. Additionally, the failed reform proposals in the 1990s generated an inertial effect in the 2000s, when no new collective bargaining proposals were discussed. Despite Concertación having a slight majority in both legislative chambers in the period 2006-2010, there were no broader reform proposals. As a consequence, the centre-left coalition only focused on compensating trade unions through minimum wages and prioritised other social policy reforms.

As previously discussed, the democratic transition in Chile affected the legislative participation of Concertación. Some authors (Linz and Stepan, 1996; Luna, 2014) argue that the binomial electoral system undermined the possibility of having a majority in both the Senate and the Congress. Furthermore, the binomial system gave opposition parties a greater participation in both legislative chambers. However, the most important limitation linked to the democratic transition in Chile was the minority that Concertación had in the Senate from 1990 to 2005. This was a consequence of the Designated Senators created by Pinochet's regime. As table 5.1 shows, from 1990 to 2010, the period that Concertación ruled Chile, the centre-left coalition had a majority in five consecutive periods¹⁰ in both Chambers, taking into account legislative members elected. However, this advantage did not function in practice due to the overrepresentation that the opposition had in the Senate. The military legacy of Designated Senators, made it possible for Pinochet's supporters to have an important veto power in the Senate.

¹⁰ 1990-1994, 1994-1998, 1998-2002, 2002-2006 and 2006-2010.

Table 5.1. Legislative composition in Chile. 1990-2014

Congress a/	1990	%	1994	%	1998	%	2002	%	2006	%	2010	%	2014	%
Concertación-NM 1/	69	57.5	70	58.3	69	57.5	62	51.7	65	54.2	57	47.5	67	55.8
Right wing coalition	45	37.5	47	39.2	47	39.2	57	47.5	54	45.0	58	48.3	49	40.8
Independents	1	0.8			2	1.7	1	0.8	1	0.8	2	1.7	3	2.5
PAIS	2	1.7												
UCC	3	2.5	3	2.5	2	1.7								
PRI											3	2.5		
Partido Liberal													1	0.8
Total	120	100	120	100	120	100	120	100	120	100	120	100	120	100
Senate a/	1990	%	1994	%	1998	%	2002 2/	%	2006 3/	%	2010	%	2014	%
Concertación-NM	22		21 (9)		20 (11)		20 (9)		20 (11)		20 (9)		21 (12)	
Right wing coalition	16		17 (9)		18 (9)		18 (9)		17 (8)		17 (9)		16 (7)	
Independents									1		1		1	
Designated Senators														
Concertación					3		4							
Right wing coalition	9		9		6		6							
Senate total 4/														
Concertación-NM*	22	46.8	21	44.7	23	48.9	24	50.0	20	52.6	20	52.6	21	55.3
Right wing coalition	25	53.2	26	55.3	24	51.1	24	50.0	17	44.7	17	44.7	16	42.1
Independents									1	2.6	1	2.6	1	2.6
Total	47	100	47	100	47	100	48	100	38	100	38	100	38	100

Source: Based on data on elected and designated authorities. Auditoría a la democracia. PNUD (<http://www.auditoriaalademocracia.org>)

a/ According to the classification the data base established at the beginning of the parliamentary period. During each period a part of the Senate was under election. The Senate seats elected in the term are in brackets.

1/ In 2014 Concertación changed its name to Nueva Mayoría.

2/ From 2000 Eduardo Frei joins the Senate as Designated Senator by his condition as former president for more than four years

3/ Designated Senators are derogated in 2005, finishing their mandate in March 2006.

4/ Including Designated and former presidents members of the Senate

This veto power was particularly functional at the beginning of the democratic transition. During the first two periods (1990-1994 and 1994-1998) the majority that Concertación had in the Senate (6 Senators) became a minority given the 9 Designated Senators loyal to Pinochet's regime. Designated Senators were appointed for the first senatorial period (8 years) by different institutional sources¹¹. Consequently, 6 pro-Pinochet members of the Senate were appointed as Designated Senators from 1998 to 2006. The difference in the Senate narrowed down to one in the period 1998-2000 and disappeared in 2000, when former president Eduardo Frei was assumed as a permanent senator¹². Therefore,

¹¹ The Consejo Nacional de Seguridad (COSENA) appointed 4 (each one a former general commander representing army, navy, air force and police), the President of the Republic designated 2 (a former minister and a former university principal) and the Supreme Court appointed 3 (two former supreme judges and a former Comptroller General).

¹² Former presidents, with at least six years in power, could be part of Senate as permanent senators. Pinochet did not use his seat due to his detention in London in 1998.

Concertación did not have a majority in the Senate until 2006, the year when Designated Senators were eliminated through constitutional amendments introduced by president Lagos in 2005¹³ (Spiller et al., 2008; Luna, 2014).

The constitutional amendments produced a more realistic legislative composition in terms of electoral results (Spiller et al., 2008; Luna, 2014). However, the context of legislative participation in the 2000s was different compared to the 1990s. As table 5.1. shows, the majority that Concertación had in Congress during the 1990s, narrowed in the 2000s and disappeared in the 2010s. These outcomes were a new scenario for Concertación's policymaking in the 2000s, facing the increasing legislative participation of right-wing parties. In that sense, the electoral rise of the opposition was not just quantitative but also qualitative. The more conservative right-wing party, Unión Demócrata Independiente (UDI), became the party with the most votes in Chile by the end of the 2000s.

What happened in the Senate in Chile generated a more challenging legislative arena for Concertación to introduce socioeconomic reforms, including collective bargaining (Castiglioni, 2006; Pribble, 2013; Fairfield, 2014; Sehnbruch and Siavelis, 2014). Accordingly, even though Concertación had an electoral majority, the disadvantage in the Senate generated the necessity of having to negotiate in detail the contents of the proposals of socioeconomic reforms with the opposition. When considering current periods (t) in the legislative composition, the presence of Designated Senators until 2006 gave a higher veto power to the opposition, especially in the debates on major reforms that were seen as social and economic legacies from the military regime. Nevertheless, when considering post 2005 constitutional reforms, Concertación did have a majority to discuss different reforms, but did not proceed to introduce collective bargaining reforms (Sehnbruch, 2011; Pribble, 2013; Sehnbruch and Siavelis, 2014; Luna, 2014). The increasing electoral importance of the right-wing parties - discussed in detail in section 4.1.3.- was also a factor that conditioned the policymaking of Concertación governments during the 2000s, maintaining its pattern of highly negotiated reform proposals (Luna, 2014).

¹³ The constitutional amendments were negotiated with the opposition. The elimination of Designated Senators was possible due to the disadvantage that the opposition would have faced in the Senate: the majority of the new Designated Senators were going to be appointed by the government.

The veto power of the opposition in the Senate through Designated Senators was particularly important in the evolution of wage policy in the period 1990-2006 (Sehnbruch, 2011; Sehnbruch and Siavelis, 2014). In that sense, the minority Concertación had in the Senate affected the discussion of the reforms proposals, moderating their contents. However, the debate on wage policy in the legislative had different processes. Whilst the executive sends an annual increment proposal for minimum wages to Congress that is briefly discussed, reforming collective bargaining requires a longer and more complex legislative process¹⁴. As several interviewees observe (Interview #1, Interview #17, Interview #18, Interview #20, Interview #24, Interview #25, Interview #26), the possibility of activating minimum wages was easier than reforming the collective bargaining structure. As one interviewee (Interview #25) mentioned, “whilst minimum wage requires a simple debate in Congress, collective bargaining reforms is a complicated issue, that means you are touching the (neoliberal) model. (...) It is not difficult to realise what is the better option”. As a consequence, when the opposition was strong in the Senate, Concertación activated minimum wages.

Paradoxically, when Concertación had a majority in both chambers in 2006-2010, the Chilean coalition did not implement major modifications of wage policies. Even worse, during that period Concertación had the chance to introduce collective bargaining reforms that only required a simple legislative majority. In that sense, there is consensus among interviewees (Interview #1, Interview #4, Interview #5) and researchers (Sehnbruch, 2012; Sehnbruch and Siavelis, 2014) that the Ethical Wage Commission created by president Bachelet in her first term shaped the possibilities to discuss wage reforms in the Legislative during that period. As Sehnbruch (2012) and Sehnbruch and Siavelis (2014) point out, the discussion on the necessity of an ethical wage for poor workers arose after a strike in the mining sector in 2007. During that period, the Catholic Bishops Conference’s secretary, Alejandro Goic, supported trade unions and suggesting the need for an Ethical Wage as a baseline income for all workers to have a decent living standard (Sehnbruch, 2012). As a consequence of the public debate on the matter, President Bachelet responded to Goic’s demand by creating a commission that

¹⁴ Firstly, the idea of legislating on the institutional framework of industrial relations -including collective bargaining- has to be approved in one of the chambers. Secondly, if the debate is approved, the contents of the proposal are discussed in the Labour Commission of the chamber that started the debate. Later, the discussion is extended to both chambers. If there are disagreements among both chambers, a mixed commission is called.

in 2008 delivered a report that did not mention any recommendation on reforming collective bargaining. According to different legislators (Interview #17, Interview #20, Interview #25) and policy advisors (Interview #1, Interview #13) there were expectations of sound wage policy reforms based on the Commission's recommendations. However, as a Commission member (Interview #1) points out, the discussions in the Commission followed a pattern similar to the wage policymaking debates in the legislative, avoiding a major intervention in the collective bargaining policy framework. As one interviewee (Interview #1) remarks, "there were two clear sides on the issue. As it has always been. And as always, there were no agreements in proposing something on the matter (collective bargaining reforms)". Finally, another interviewee (Interview #25) observes that the possibility of including collective bargaining reforms during the first Bachelet government was limited by the goal to introduce social security reforms: "I know that nowadays it sounds like a minor reform but to introduce a universal pillar to social security was a big task (for Bachelet's government). I do think that reform was such a priority that limited (the introduction of) other labour reforms such as collective bargaining reforms". Consequently, the discussions on the ethical wage was a para-legislative arena, that reduced the pressure on Concertación to introduce a collective bargaining reform in the legislative, facilitating the social security reform debate. The commission also reproduced the dynamics of collective bargaining debates in the legislative, where pro-business and pro-labour specialists were equally represented, resulting in the avoidance of including proposals for reforming collective bargaining in Chile. Therefore, the absence of a majoritarian presence of trade union representatives or trade union advocates in the commission reproduced the low participation that trade unions had in Concertación legislative participation.

Wage policies under Concertación followed a pattern that had a clear link with the composition in both chambers. The advantage that Concertación had in Congress since the beginning of the democratic transition, facilitated the active use of minimum wages. However, there were no reforms of collective bargaining during Concertación governments (1990-2010). At the beginning of the democratic transition (1990-1991), the negotiations focused on reactivating basic trade unions rights (Campero, 2007; Campero, 2018). During the second Concertación government (1994-2000) led by Eduardo Frei Ruiz-Tagle, there were two attempts to legislate on the structure of industrial relations that included a collective

bargaining reform. In 1995-1996 a proposal for debating a reform on collective bargaining did not pass the idea of legislating that was called in the Senate. Later, in 1999, during the presidential election campaign that year, the Senate discussed a collective bargaining reform, but a triple draw impeded any modification.

The difficulties in reforming collective bargaining in the 1990s influenced the decision making of wage policies in two ways. The first consequence was the selection of an active minimum wage policy. As mentioned before, activating the minimum wage was an easier task taking into account that the government made an annual proposal to be discussed in the Congress, where Concertación had a majority. The activation of minimum wages, with rises above inflation and productivity, were important during the first Concertación government after the low levels real minimum wages experienced in the 1980s (García, 1991; Marinakis and Velasco, 2006). However, minimum wage discussions produced an exhaustion of the dynamics among government, business elites and trade unions in the mid-1990s (Interview #1, Interview #5). Business elites left the negotiations arguing that big companies did not pay minimum wages. Therefore, from the second half of 1990s, government and trade unions discussions about the minimum wage rises generated sources of conflict. During the second Concertación term, a new mechanism was proposed by the government to automatically raise the minimum wage over a three-year span (1998-2000). The triannual adjustment formula for minimum wages, approved by the Congress in May 1998¹⁵, looked to improve minimum wages based on forecasts for inflation, productivity and a “distributive bonus”¹⁶ (Interview #5), that could satisfy trade union demands. The triannual formula was also seen as a tool to reduce conflicts among Concertación and trade unions. The generosity of the adjustment was also interpreted as a quid pro quo due to the government’s failures to reform collective bargaining (Interview #16, Interview #19).

After the triannual formula, the minimum wage policy became more moderate –compared to the 2000s- as a result of several factors. One element was the high unemployment rate at the end of the 1990s and beginning of the 2000s that caused concern to the third Concertación government (2000-2006), led by Ricardo Lagos. The increase in the unemployment rate was the result of the economic crisis Chile faced in 1999-2000, exactly the same period when the

¹⁵ Law 19564.

¹⁶ The redistributive bonus recognised the real minimum wage lags experienced during the 1980s.

triannual adjustment for minimum wages was functioning. Therefore, the rises the minimum wage experienced during that period were scapegoated as one of the causes for the increase in the rate of unemployment. Consequently, the government had incentives to deactivate the minimum wage. However, in a context of low collective bargaining levels, minimum wages continued increasing but just adjusting by productivity and inflation. The result was more moderate rises of the minimum wage through the 2000s, compared to those observed in the 1990s. This policy approach was consistently used and approved in the Congress.

The second consequence of the difficulties for reforming collective bargaining in the 1990s was the absence of the same debate during the 2000s. Concertación governments took a more cautious approach with their labour reform proposals in the 2000s. As aforementioned, the economic crisis that affected the country at the end of the 1990s, generated high unemployment rates that continued at the start of the following decade. Therefore, there were economic issues -how to recover economic growth and the creation of employment- that the third Concertación government (2000-2006) had to face during its whole period in power. In that context, the government was conscious that re-introducing the debate on collective bargaining threatened economic elites, stressing the weak economic environment (Interview #14, Interview #19). Additionally, as aforementioned, the Ethical Wage commission was unsuccessful in facilitating agreements on wage policy reforms. Even more, the logic of the commission reproduced the dynamics of the legislative, avoiding the discussion on collective bargaining distributive effects and focusing on the use of social transfers instead.

As discussed in this section, the structure of bounded legislative composition and the electoral system shaped legislative participation in Chile. In spite of Concertación's electoral advantage, the coalition had a minority in the Senate from 1990 to 2006, limiting the centre-left coalition's ability to approve collective bargaining reforms. Consequently, Concertación's wage policymaking focused on activating minimum wages in the 1990s, due to minimum wage policies' easier implementation. Additionally, the failed reform proposals in the 1990s generated an inertial effect in the 2000s. So, even though Concertación had an advantage in both legislative chambers in the period 2006-2010, there were no collective reforms proposals. A strategic decision to concentrate the legislative efforts in social security reforms and the failure to address collective bargaining reforms in the Ethical Wage commission

influenced Concertación's reluctance to discuss collective bargaining reforms during that period.

5.1.2. The use of the minority in the Senate as a justification to not implement collective bargaining reforms

The analysis of this section is focused on the interaction between Concertación's party linkage and the coalition's legislative participation. As is discussed, the minority Concertación had in the Senate until 2006, was also seen as a pretext to deter the implementation of collective bargaining reforms. In that regard, the Concertación's minority in the Senate was functional as a justification for avoiding collective bargaining, highlighting the party linkage of Concertación and its openness to both trade union and business elites' agendas.

As mentioned above, the electoral advantage Concertación had throughout the democratisation process did not materialise in a legislative majority in the Senate from 1990 to 2006. Furthermore, this legislative outcome was a consequence of the advantage that pro-Pinochet parties had in the Senate through Designated Senators. However, Concertación's disadvantage in the Senate had different interpretations for wage policymaking. On the one hand, part of Concertación saw this disadvantage as a reality that the Chilean coalition had to deal with, particularly in the 1990s when Concertación implemented many reforms in different areas (Interview #17, Interview #19, Interview #20, Interview #22, Interview #23, Interview #24, Interview #25). As one interviewee (Interview #23) notes, "the problem to get advantage in Parliament was real. It was a problem because we had many things to change and the opposition was clear about their goal to do not allow touching Pinochet's legacies". Another key Concertación politician (Interview #22) observes that,

"we are accused of negotiating everything during the (democratic) transition. But what were our options? You had Pinochet as a presence and also the Designated Senators that limited our ability to introduce reforms in the Senate. (...) And you have many reforms to introduce, all of a sudden. (...) We needed to be tactical (in the Legislative) in order to succeed."

Consequently, the Chilean centre-left coalition had a clear sense of the legislative limitations to introducing economic, fiscal and income distribution reforms.

Even though the presence of Designated Senators was seen as a real limitation to implementing collective bargaining reforms, there was also space to reach agreements in different areas, including collective bargaining in the 1990s. Moreover, there were different negotiations to introduce labour reforms at the beginning of the democratic transition that seemed too difficult but were discussed and agreed, like the de-penalisation of trade unions representation and the facilitation of trade unions affiliation (Campero, 2007; Campero, 2018). However, during its first government, Concertación postponed collective bargaining reforms to avoid a tense negotiation process. Furthermore, Aylwin's presidency focused its labour market reform negotiations on individual labour rights with the idea of including collective rights reforms later (Campero, 2018). As a consequence, the second Concertación government (Frei) decided to implement a collective bargaining reform that started its legislative discussion in 1995. Even though these reform proposals did not substantially modify the structure of collective bargaining, they implied improvements. In particular, Concertación's proposal allowed the right to have strikes during the negotiation process without striker's replacements, the possibility to submit bargaining proposals to linked companies and the de-bureaucratisation of the collective bargaining process (Córdova, 2005; Campero, 2018). The process of discussion of the proposal took two years, with approval in Congress and clear opposition from pro-Pinochet parties and designated senators in the Senate. However, the possibility of reaching some agreements generated an approach, particularly between the Ministry of Labour, Jorge Arrate, and designated senator, Luis Thayer, in what was called the Thayer-Arrate agreement (Córdova, 2005). Despite many of the original proposal contents were more moderate in the Thayer-Ojeda agreement and options for labour flexibility at company level were included, the Thayer-Arrate agreement proposal was rejected in September 1997 (Frías, 2002; Córdova, 2005). This failure to approve a collective bargaining reform exposed the opposition of more moderate and pro-economic growth legislators inside Concertación (Interview #17, Interview #18, Interview #20, Interview #27). As one top Concertación politician (Interview #18) observes,

“we also had problems to introduce the discussion on collective bargaining in the 1990s but we had the opportunity in mid-1990s to introduce reforms. (...) We even

had an agreement with Designated Senators to approve the possibility to legislate in the Senate. (...) Unfortunately, the opposition was also among Concertación. Some of our Senators boycotted us”.

Therefore, the existence of internal differences in the centre-left coalition suggests that the disadvantage in the Senate was not necessarily the cause of not progressing with a collective bargaining reform as much as the soft party linkage of the coalition discussed in section 4.

The differences among Concertación members generated two interpretations of the coalition’s options to deal with the disadvantage in the Senate. The centre-left coalition’s internal debates during the second half of the 1990s showed the two spirits of Concertación (Sehnbruch and Siavelis, 2014). On the one hand, the “autocomplacientes” (self-complacent) vindicated the strategic approach towards policy implementation. On the other side, the “autoflagelantes” (self-flagellating) criticised the lack of audacity in policymaking and the distance that the centre-left coalition had with the demands at the beginning of the democratic transition. According to several respondents (Interview #17, Interview #24, Interview #26) even though the internal debate among both groups in Concertación became public, there was a sense that the self-complacent group was majoritarian and much more successful. As one interviewee (Interview #26) observes,

“self-complacent were clearly the winners. You could see it throughout the 1990s and 2000s. (...) The (democratic) transition, the economic growth, the lack of advantage in the Senate were all useful (in order) to implement their more pragmatic policy approach”.

In that sense, the more critical positions inside Concertación point out that the majoritarian pragmatic group in the coalition used the Senate disadvantage to justify the lack of progress in collective bargaining reforms. Many interviewees (Interview #17, Interview #20, Interview #24, Interview #25, Interview #27) note that the strategic rationale that Concertación had for policymaking used the higher electoral competition as an alibi to hide its internal conflicts. As one Concertación legislator (Interview #17) observes, “the lack of a majority in the Legislative fitted perfectly with the lack of resolution to advance in some areas like collective bargaining”. Another Concertación politician (Interview #27) highlights that,

“definitely, there was a kind of sense that it (the disadvantage in the Senate) was a part of the game. But in topics like collective bargaining reforms we knew we could do better. (...) The problem was inside us. We did not want to admit it”.

However, according to some respondents (Interview #22, Interview #23), there was no political space to behave differently due to the difficult democratic transition. As one interviewee (Interview #23) mentions,

“it could be said that our disadvantage in the Senate was used as a pretext. (...) In perspective, we could say that it gave us leverage to balance the demands (from business elites and trade unions) and to deal with our own differences. (...) However, what was the alternative?”.

Consequently, the different visions within the Chilean coalition highlight the contradictory nature of Concertación's position regarding the reform of collective bargaining.

During the period 2006-2010, when Concertación had a slight advantage in both Congress and the Senate, the Senate minority justification disappeared but the strategic policymaking approach remained. As several interviewees (Interview #1, Interview #17, Interview #20, Interview #23, Interview #25, Interview #26) remark, the first Bachelet administration had the goal of implementing social security reform. However, the setting of this goal was complex considering the context of various policy implementation problems. In particular, the new transport system for Santiago (Transantiago) and the secondary student protests demanding free (without fee) education and improvements in the quality of primary and secondary education. Therefore, the complexity of dealing with many reforms acted as a deterrence to introducing other reforms, such as collective bargaining reform. As a respondent (Interview #24) mentions,

“I proposed the inclusion of a collective bargaining but the (Bachelet) government decision was to not discuss these reforms. The goal was the social security reform. (...) However, we advanced with the reform of minimum wages for domestic workers, that became equalled the national minimum wage. (...) In the Ethical Wage Commission we did not have any progress to discuss major wage reforms”.

As a consequence, Concertación's more strategic approach and its soft linkage to trade union agendas, shaped a wage policymaking that privileged other policies.

As this section discussed, the legislative participation variable played a less decisive role for wage policymaking than Concertación's party linkage. In particular, even though the Chilean coalition had an advantage at the end of the 2000s that would facilitate the inclusion of collective bargaining reforms, the strategic approach of the coalition influenced the decision-making that prioritised other reforms. Additionally, there is evidence that the existence of a disadvantage in the Senate from 1990 to 2006 was used as a pretext by the majoritarian position in Concertación that privileged the pragmatic policy approach of the Chilean coalition. So, despite the pertinence of the legislative participation to weigh Concertación legislative muscle for wage policymaking, this variable was less decisive compared to the party linkage of Concertación.

5.1.3. Legislative participation and its influence in the relationship with trade unions and business in Chile

This section discusses the influence of the electoral competition variable in the relationship between Concertación and labour market stakeholders: trade unions and business elites. On the one hand, the legislative disadvantage was used as a scapegoat to hide the preference that many legislators in Concertación had to the agenda of business and the need that socialist presidents had to establish good relationships with business elites. On the other side, the electoral disadvantage was seen as the implicit justification to contain trade union demands, producing disengagement among the centre-left wing coalition and trade unions.

As previously discussed, the lack of legislative advantage in the Senate gave Concertación a pretext to justify its inability to implement collective bargaining reforms. Furthermore, the disadvantage in the Senate from 1990 to 2005 supported the option of actively using minimum wage policy in the 1990s. Moreover, some Concertación politicians identify the Senate's disadvantage as a pretext to justify both a more pro-business approach of some legislators and a pragmatic tool to navigate the complicated democratic transition. In that sense, the minority in the Senate facilitated the possibility to balance the agendas of trade

unions and business elites in the legislative. Moreover, Concertación's minority in the Senate served as a justification for not exposing internal legislative debates that the centre-left coalition had between pro-trade unions and pro-business legislators. As one respondent (Interview #17) observes, "we nominally had a pro-labour legislative agenda but when the debate on collective bargaining started we knew there were the two souls of Concertación in conflict". Another interviewee (Interview #16) also notes that,

"in the 1990s and 2000s there were improvements in individual rights for workers but almost none for collective rights for workers. (...) When collective rights (for workers) were discussed, you saw a clear difference among who were pro-workers and who were pro-business".

As a consequence, even though Concertación nominally had a pro-trade union agenda, their policy approach in the Legislative was more balanced, taking into account the agenda of business elites based on the needs of SMEs.

Concertación governments also took a strategic approach in order to have a better relationship with business elites. As many respondents observe (Interview #1, Interview #14, Interview #16, Interview #19), this was particularly the case with Ricardo Lagos, the first socialist president after Salvador Allende, a symbolic transition in Concertación after two Christian-democrat presidents. As some respondents note (Interview #16, Interview #18, Interview #27), the relationship of the first two Christian-democrat Concertación governments were more naturally pro-business. One interviewee mentions, "the relationship (of business elites) with Frei was good because he was part of a company. Business representatives also had good links with the Christian-Democrat party". On the contrary, Lagos was aware that for many Pinochet supporters, particularly in the business elite, the presence of a socialist president was intimidating (Interview #1, Interview #14). Considering the consequences of the economic crisis that Chile faced at the beginning of the 2000s, a tense relationship with business elites could have been potentially harmful for economic growth. Thus, as some interviewees mention (Interview #14, Interview #16, Interview #17, Interview #19, Interview #20) Lagos wanted to be careful with his economic policymaking, moderating the pattern of labour reform proposals in the Legislative. One respondent (Interview #16) points out that,

“instead of continuing with collective bargaining reforms proposals, Lagos government introduced modifications to individual labour rights that were approved in 2001. (...) That was a clear example of a decision made to have a better relationship with business elites. (...) At the end of his government Lagos was praised by them (business elites)”.

Something similar happened with Bachelet and her first administration. Some respondents (Interview #16, Interview #19, Interview #24) observe, considering Bachelet's socialist party background, the previous good relationship established by Lagos with businessmen, and being the first woman elected president, there were few incentives to generate tense relationships with business elites. As one respondent (Interview #19) observes, “she had (Andres) Velasco as Minister of Finance. That meant that she was not going to introduce anything out of the blue in terms of collective bargaining”. Consequently, the lack of initiatives to promote collective bargaining reforms in the legislative that characterised Concertación's governments in the 2000s, was also linked to the necessity for socialist presidents to improve their relationship with business elites.

On the other hand, Concertación's use of the minority in the Senate increased the sense of disengagement with trade unions. The tension between pro-union and pro-business groups in the centre-left coalition produced a difficult relationship with trade unions that eroded workers' ability to influence the wage policymaking agenda (Interview #2, Interview #11, Interview #16, Interview #17, Interview #18, Interview #19, Interview #20, Interview #21, Interview #24, Interview #26, Interview #27). There were three dynamics that characterised the legislative relationship with trade unions due to the minority in the Senate. The first one was the increasing sense of distance with the goal of reforming collective bargaining. As one interviewee (Interview #18) that participated in the discussions of the collective bargaining reform proposal in 1995-1997 mentions, “it was difficult to start the discussion (on collective bargaining) but it was painful to see that our own legislators were not supporting trade unions demands”. Even though Concertación discussed collective bargaining reforms, particularly in the 1990s, the unsuccessful outcome generated the implicit idea in the 2000s of the inadequacy of reforming collective bargaining. One interviewee (Interview #26) observes that,

“what happened in the 2000s was shaped by the 1990s. (...) Concertación did not want to go through collective bargaining reforms fearing a new defeat. (...) Yes, we justified this inertia using the Senate disadvantage but now we could say that in the 2000s this justification was not sustainable”.

Another respondent (Interview #16) links this inaction with Concertación needs in the 2000s: “we were more pro-business in the 2000s with two socialists as presidents. Trade unions clearly lost”. Therefore, considering the failures in the 1990s and the strategic needs in the 2000s, there was an increasing sense of disengagement with collective bargaining reform. The lack of these reforms consequently weakened the trade unions.

The second dynamic was the prevalence of a logic that tried to compensate trade union demands for collective bargaining reform with some other reforms and the activation of minimum wages. This was the case with the labour reforms in the early 2000s and the active use of minimum wages (Interview #1, Interview #14, Interview #16, Interview #17, Interview #19, Interview #20, Interview #27). Accordingly, despite Concertación’s discourse focused on the Senatorial minority for not introducing collective bargaining reform, Concertación successfully achieved other issues of its legislative agenda. As an interviewee (Interview #1) mentions:

“there was a kind of trade-off. Yes, we could say we were unsuccessful in reforming collective bargaining but we advanced with individual rights reforms, the introduction of legal courts reforms and the active use of minimum wages. (...) We could say that we advanced in what was possible, despite the constraint in the Senate, and somehow it was a sort of compensation”.

Another interviewee (Interview #27) notices that,

“it could be tricky when you consider retrospectively that, despite we had no advantage (in the Senate), we advanced with minimum wages and other reforms and we did not advance with collective bargaining. (...) Some people would say we did what was possible, others will say we compensated for have not been able to introduce a collective bargaining reform”.

Consequently, the Chilean centre-left wing coalition tried to compensate for its limitations in reforming collective bargaining by focusing on individual labour reforms and more active minimum wage policies.

Finally, a third dynamic is linked to the increasing disappointment felt by both trade unions and the progressive part of Concertación. As previously discussed, Concertación policymakers had the sense of having disappointed trade unions using the pretext of the minority in the Senate. Further, interviewees (Interview #17, Interview #19, Interview #20, Interview #27) note that the lack of progress in introducing collective bargaining reforms was disappointing for them, increasing the feeling of not being loyal to the trade union agenda. As one interviewee (Interview #27) mentions,

“it was frustrating and disappointing. We said we were not able to make the (collective bargaining) reform because we had not enough votes, but inside you knew it was an excuse. (...) I felt like being disloyal with trade unions. I think all (Concertación) legislators that genuinely supported trade unions’ demands felt similarly disappointed”.

As a consequence, the sense of disloyalty towards trade union agendas generated frustration and disappointment in those who were more committed to introducing collective bargaining reforms.

This section analysed how the legislative participation variable influenced the relationship between Concertación, business elites and trade unions on wage policymaking. As previously discussed, Concertación legislators claimed they had a minority in the Senate to justify the inclusion of the business agenda. Moreover, in the 2000s more progressive governments also used a utilitarian approach to have better relationships with business elites and to prioritise other policies. On the other hand, the use of the minority in the Senate produced a sense of disengagement with the trade union agenda, generating frustration for both trade unions and the progressive side of Concertación. Additionally, the disengagement generated in the coalition the need to compensate trade unions through minimum wages and other labour reforms.

5.2. The Uruguayan case

Throughout this section, the evolution of the variable, legislative participation, in Uruguay is analysed in detail for the period that Frente Amplio governed the country (2005-2015). As is discussed, the variable, legislative participation, had an impact on the outcomes of the legislative policymaking of wage policies, particularly enforcing the trade union agenda and generating a distance from the demands of business elites. As is discussed in this section, the Uruguayan case shows how an embedded legislative majority facilitates the implementation of an ambitious legislative agenda to reform collective bargaining in a relatively short period of time. Furthermore, the sustained majority in the Legislative helped to strengthen the commitment of Frente Amplio to the trade union agenda on wage policy.

5.2.1. The evolution of Frente Amplio's legislative participation

This section analyses the evolution of Frente Amplio's legislative participation and how it shaped wage policymaking in Uruguay. Accordingly, this section shows the steady increase in Frente Amplio's participation in the legislature, reaching a majority from its coming to power in 2005, that facilitated the active use of wage policies. In particular, using its embedded legislative majority Frente Amplio re-institutionalised Wage Councils and approved a new collective bargaining law. Additionally, the embedded legislative majority enabled the extension of collective bargaining to informal workers.

The increasing legislative participation of Frente Amplio in Uruguay is linked to the conditions of the democratisation process and the strategy that the left-coalition used. As previously discussed, the democratic process enabled Frente Amplio to participate in presidential, legislative and municipal elections without restrictions. Accordingly, the electoral participation of Frente Amplio is a clear demonstration of the fast implementation of the Uruguayan democratisation process without any institutional influence from the military regime (Linz and Stephan, 1996). As a consequence, the democratisation process facilitated a more transparent representation of political parties in the legislative. In that sense, the

legislative composition reflected the level of electoral support that parties had during each election. Furthermore, the legislative composition also triggered political parties' strategies for future elections. Therefore, the lower levels of legislative representation and the goal to defeat traditional parties, triggered the need for Frente Amplio to enhance the scope of its electorate. In particular, this strategy implied moderating Frente Amplio's discourse and the focusing on engaging those voters disappointed with traditional parties (Luna, 2007). As a result of both elements, Frente Amplio steadily increased its participation in the legislative, augmenting its visibility in terms of policy proposals.

One of the platforms that Frente Amplio used to gain legislative participation was its insistence in changing the dynamics of wage policymaking. As previously discussed, wage policies throughout the democratic transition in Uruguay had a passive performance until 2005. On the one hand, minimum wages experienced a permanent decrease in real terms due to the impact of the minimum wage on fiscal policy. On the other hand, collective bargaining was reinstalled at the beginning of the transition (1985-1990) through Wage Councils but deactivated from 1991. Consequently, both policies experienced a downward trend, particularly in the 1990s. Moreover, the economic crisis at the end of the 1990s and beginning of the 2000s had a negative impact on wages and socioeconomic conditions. As a result, Frente Amplio's pro-labour discourse and social reforms gained even more visibility and support, triggering Frente Amplio's victories in presidential elections and its legislative majorities from 2005.

The wage policy trends changed dramatically with the Frente Amplio majority in the legislative. As table 5.2 shows, the change towards active wage policy has a clear link to the majority the left-wing coalition had in both the Congress and the Senate. The majority Frente Amplio had in the Legislative was new for the post dictatorial Uruguayan democracy. In the previous two decades, when Partido Colorado and Partido Nacional ruled the country, no party had a majority in either chamber. As several authors mention (Castiglioni, 2006; Bogliaccini, 2012; Pribble, 2013; Luna, 2014) the absence of a legislative majority from 1985 to 2005 resulted in the need for negotiating policy contents.

Table 5.2. Legislative composition in Uruguay. 1985-2015

Congress	1985	%	1990	%	1995	%	2000	%	2005	%	2010	%	2015	%
Frente Amplio	21	21.2	21	21.2	31	31.3	40	40.4	52	52.5	50	50.5	50	50.5
Partido Nacional	35	35.4	39	39.4	31	31.3	22	22.2	36	36.4	30	30.3	32	32.3
Partido Colorado	41	41.4	30	30.3	32	32.3	33	33.3	10	10.1	17	17.2	13	13.1
Others	2	2.0	9	9.1	5	5.1	4	4.0	1	1.0	2	2.0	4	4.0
Total	99	100	99	100	99	100	99	100	99	100	99	100	99	100
Senate	1985	%	1990	%	1995	%	2000	%	2005	%	2010	%	2015	%
Frente Amplio	6	20.0	7	23.3	9	30.0	12	40.0	16	53.3	16	53.3	16	51.6
Partido Nacional	11	36.7	12	40.0	10	33.3	7	23.3	11	36.7	9	30.0	10	32.3
Partido Colorado	13	43.3	9	30.0	10	33.3	10	33.3	3	10.0	5	16.7	4	12.9
Others			2	6.7	1	3.3	1	3.3					1	3.2
Total	30	100	30	100	30	100	30	100	30	100	30	100	31	100

Source: Asamblea General del Uruguay.

As Table 5.2 also shows, the composition in the legislative changed its structure during the democratisation process. Partido Colorado and Partido Nacional were the most voted parties at the beginning of the transition (1985-1995) but Frente Amplio continuously gained seats in both chambers. In fact, since 1995, the rise of the left-wing coalition conditioned the legislative discussions and the composition of the government (Luna, 2014). The increasing legislative participation of Frente Amplio triggered a polity of consensus among the traditional rivals (Partido Colorado and Partido Nacional). These agreements were expressed in the governmental configuration during the second (1995-2000) and third (2000-2005) of Partido Colorado's administrations since the return to democracy. The alliance between Partido Nacional and Partido Colorado allowed the participation of Partido Nacional representatives in different ministries, like the Ministry of Labour, in two consecutive periods. As some interviewees (Interview #36, Interview #39, Interview #40, Interview #47, Interview #54) point out this was seen as a signal of the continuity of the liberal labour policies that Partido Nacional implemented during its government (1990-1995). One interviewee (Interview #40) mentions that, "there was an agreement between Colorados and Blancos to continue with neoliberal policies, particularly in the labour market. (...) It weakened trade unions throughout the 1990s and 2000s until Frente Amplio arrived to power". Another respondent (Interview #47) observes that, "there were two periods of Colorados' governments in alliance with Partido Nacional, but in the Ministry of Labour there were ministers from Partido Nacional (Blancos)". As a consequence, the gains Frente Amplio had in its legislative representation

triggered an alliance between traditional parties in order to protect their liberal approach to labour policies.

In spite of their protective approach to liberal policies in the labour market, the alliance between Colorados and Blancos discussed a proposal for a collective bargaining reform. During the second Sanguinetti term (1995-2000), the Colorado government created a dialogue table with participation of both trade unions and business organisation representatives to discuss a possible proposal for a collective bargaining reform. However, this negotiation table did not finish with a proposal to be sent to the legislative because business elites and trade unions disagreed about the possibility of enforcing collective bargaining at firm-level, a change from the Wage Councils industry-level structure. As two interviewees (Interview #36, Interview #53) observe, in practical terms traditional parties' alliance had a majority in the legislative that allowed the implementation of any reform to wage policy. In that sense, the non-existence of a proposal to be discussed in both chambers was an example of the lack of interest that both parties had towards activating wage policies. As one respondent (Interview #36) observes, "they (Colorado's government) could have produced something and send it to the legislative. (...) They had the votes (in the legislative) to approve even a pro-business collective bargaining reform. And they did not do it." Another interviewee (Interview #53) who was part of the government during the negotiations table between trade union and business representatives explains:

"It is true, we had the votes. However, we bet on social dialogue. Our goal was to have a consensual proposal (between trade unions and business representatives) that would have enforced a collective bargaining reform proposal in the Legislative. Unfortunately, there was no agreement among both parts at the end".

Therefore, the legislative advantage that the alliance of the two traditional parties had in the late 1990s did not produce any reform for collective bargaining as a consequence of the lack of consensus among trade unions and business elites.

Conversely, the majoritarian position Frente Amplio had in both Senate and Congress allowed an active use of wage policy. As table 5.2 shows, the left-wing coalition was the first most voted party to have a majority in both the Senate and the Congress since the return to democracy. Accordingly, Frente Amplio's legislative majority facilitated the policymaking of

different social and labour policy reforms (Castiglioni, 2005; Bogliaccini, 2012; Pribble, 2013). Moreover, the Frente Amplio legislative majority was particularly important to maintain the contents of the original social and labour reform proposals. In the case of wage policy in particular, Frente Amplio's legislative majority was functional to improve the institutional structure of wage policy implementation when law proposals arrived in the legislative. However, at the beginning, the government had a more active role. Furthermore, both the minimum wage and collective bargaining policies in Uruguay were government initiatives that functioned through executive orders. Consequently, the coming of Frente Amplio to power in 2005 facilitated the active use of wage policies through the implementation of executive orders that substantially increased the amount of minimum wages and reinstated Wage Councils.

Frente Amplio was not just the first Uruguayan party/coalition that achieved a legislative majority but also the first party/coalition with an embedded legislative participation of trade unions. As discussed in chapter 4 and shown in table 4.6., through the democratic transition the participation of trade union-linked legislators in Frente Amplio increased by five times, representing 36.8% of total Frente Amplio legislators in 2005-2010 and 35.8% in 2010-2015. In that sense, Frente Amplio had embedded trade union participation in its majority. The prevalence of trade union-linked legislators in Frente Amplio's legislative majority influenced the prioritisation of wage policy reforms in the coalition's agenda, the alignment of all Frente Amplio legislators to support wage policy reforms and the speed of reform implementation, discussed throughout this chapter. Furthermore, several respondents (Interview #34, Interview #36, Interview #39, Interview #40, Interview #42, Interview #44, Interview #45, Interview #47) highlight the embeddedness of trade union legislators in the Frente Amplio majority as a key element in coalition wage policymaking. As one interviewee (Interview #39) notes, "the presence of PIT-CNT legislators was crucial for all Frente Amplio's labour policies. (...) We had our own voice in both chambers and we were pursuing our agenda. I guess it enforced Frente Amplio's decision to implement labour reforms". This view was shared by traditional parties. As an opposition legislator (Interview #44) observes, "trade unions participation in the legislative was absolutely relevant. They were vocal and organised. They knew what they wanted. And Frente Amplio had no option but to please trade unions".

In particular, Frente Amplio's embedded majority in the legislative was key to facilitating the creation of new legislation to support collective bargaining. The embedded legislative majority enabled Frente Amplio's wage policy agenda, particularly to a) expand the scope of collective bargaining coverage and b) to create an institutional structure to support collective bargaining independently of future government's decision. As one respondent (Interview #36) notices,

“our majority (in the Legislative) facilitated a fast expansion of collective bargaining that covered almost all formal workers. (...) Same for Wage Councils. Now they are institutionalised. (...) Even if Frente Amplio is not going to be in power, Wage Councils will remain as an institutional legacy that will be difficult to deactivate”.

Some opposition legislators (Interview #44, Interview #45) also highlight the permanence of Wage Councils as an institutionalised wage policy. As one legislator (Interview #45) notes, “it is impossible not to think that any government in the future will not call for Wage Councils. (...) With their majority in Congress, the Frente (Amplio) was very successful in reinstate Wage Councils”. Consequently, the reforms introduced by Frente Amplio in the legislative guaranteed the continuity of collective bargaining even beyond the left-wing government.

The new legislation supported collective bargaining with law 18566 approved in 2009 and the creation of the institutional structure to support Wage Councils. Accordingly, law 18566 structured a new institutional framework through the Consejo Superior Tripartito (Tripartite Top Council) that includes government, business elites and trade union representatives. The Tripartite Top Council has the power to call collective bargaining rounds through Wage Councils and also defines the annual increases or modifications of the national minimum wage. Hence, the institutional structure is in charge of defining the sectors, subsectors and actors that will negotiate in each Wage Council round. Moreover, law 18566 approved in the first Frente Amplio government with its embedded legislative majority, guarantees the continuity of collective bargaining and the setting of minimum wages at sector and subsector levels, independently of the preferences of future governments. In that sense, as several interviewees (Interview #36, Interview #40, Interview #41, Interview #42, Interview #45, Interview #54) point out, the Frente Amplio's embedded legislative majority allowed a more active wage policy in Uruguay overall. As one respondent (Interview #36) observes: “Wage

Councils establish collective bargaining for 95% of formal workers, whilst minimum wages establish a floor to those who are not covered by collective bargaining and are generally more informal workers.” Consequently, both collective bargaining and minimum wage policy became tools for active wage policies with Frente Amplio.

Frente Amplio’s embedded legislative majority in its first government also allowed the expansion of collective bargaining to new sectors, such as rural and domestic service workers. In particular, the left-wing coalition was successful in including a debate on a law (18065) for domestic service, approved in 2006. The law contains a clear mandate to comprise domestic service workers in Wage Councils’ rounds of collective bargaining¹⁷. Moreover, Law 18065 was innovative in tacitly including collective bargaining for domestic workers. As several policymakers (Interview #34, Interview #36, Interview #39, Interview #40, Interview #42, Interview #48, Interview #54) observe, the task of extending collective bargaining to domestic workers was challenging considering the difficulties of organising trade unions and employers’ representatives in the bargaining process. However, the idea of legislating and extending collective bargaining to all workers, was important enough to include article 6 -specifically allowing collective bargaining for domestic workers- in law 18065. As a respondent (Interview #54) observes, “with our advantage (in the legislative) we had the chance to extend collective bargaining to domestic service workers that never had collective bargaining before. (...)”. Another interviewee (Interview #40) notes that,

“there were some opposition legislators that were against the idea of including domestic workers (in collective bargaining) arguing that it would break household economies and would generate tensions. Fortunately, we had majority (in the Legislative) and the inclusion of domestic workers in collective bargaining did not produce anything”.

Consequently, in order to extend collective bargaining to more informal workers with lower organisation, Frente Amplio’s embedded legislative majority played a key role.

The evolution of Frente Amplio’s participation in the legislative highlights the importance of having an embedded legislative majority for left wing coalitions to expand wage policy.

¹⁷ Article 6.

Accordingly, as this section discussed, the increasing participation of Frente Amplio in the legislature expresses the coalitions success in attracting supporters to its proposals for social and labour reform. Moreover, the Uruguayan left-wing coalition reached a legislative majority, embedded in the high participation of trade union-linked legislators, that facilitated the active use of wage policy. Additionally, Frente Amplio's embedded legislative majority was particularly important to re-institutionalise Wage Councils, to approve a collective bargaining law and to extend collective bargaining to informal workers.

5.2.2. The embedded legislative majority and its effect on the speed of reform and the connection with the party linkage to implement wage policy reforms in Uruguay

This section is focused on analysing the impact of Frente Amplio's embedded legislative majority in the speed and extension of wage policy reforms. As is discussed throughout this section, Frente Amplio's embedded legislative majority allowed a fast implementation of labour policies reforms, including wage policies. Additionally, the embedded legislative majority generated greater cohesion in the left-wing coalition and the possibility of including other reforms in the first period of government. Finally, even though Frente Amplio's embedded legislative majority was seen as a factor in implementing and accelerating reforms, there is evidence that, without legislative majority, and due to its party linkage, Frente Amplio would have included the trade unions agenda for wage policy reform.

Along with the aforementioned successful policy implementations to reform wage policy, there are other elements associated with Frente Amplio's legislative advantage that changed wage policymaking. The first element was the importance of the embedded legislative majority for introducing reforms in a short period of time. Frente Amplio's embedded legislative majority allowed a fast-track mood for introducing and approving labour reforms (Interview #36, Interview #39, Interview #40, Interview #44, Interview #45, Interview #47, Interview #48, Interview #54). For Frente Amplio's policymakers –in government and in the legislative- the majority in both chambers facilitated an agenda of reform, particularly in the first government (2005-2010). Even though Frente Amplio built its policy agenda after being in opposition (Bogliaccini, 2012), the speed and number of reforms during the first Frente Amplio terms were beyond expectations (Interview #39, Interview #40, Interview #47,

Interview #48, Interview #54). As one respondent (Interview #54) notes, “we did not expect the speed of the (wage policies) reforms. (...) With the majority (in the legislative) everything got easier. Beyond what we were supposed to implement”. Frente Amplio’s embedded legislative majority and the successful implementation of labour reforms generated a sense of urgency in the left-wing Uruguayan coalition, acceleration the reforms’ timing.

As a consequence of the changes in the timing to approve reforms, Frente Amplio concentrated its efforts on including as much reform as possible in its first term. To do that Frente Amplio’s party linkage was a structural element that contributed to a more dynamic approach for accelerating reforms. As previously discussed, Frente Amplio had set its legislative agenda in permanent contact with trade unions during the years previous to the left-wing coalition’s arrival to power. Consequently, the number and contents of labour reforms were part of a programmatic agenda, agreed with trade unions (Interview #36, Interview #40, Interview #47, Interview #48, Interview #54). As one interviewee (Interview #54) observes, “we figured out our agenda with Frente Amplio in the opposition. (...) During those years we established a reforms agenda that was clear about contents, not about timetables”. In that sense, the fast implementation of a number of reforms enhanced the possibility of including other reforms during the first period of Frente Amplio’s embedded majority in the legislative. One respondent (Interview #47) observes that,

“even though we had a clear idea of what we were looking for, we did not expect the speed (of implementation) of new reforms. In a way, it gave us a chance to introduce other (reforms). (...) That was a great opportunity to include other workers in collective bargaining that we did not expect to include so fast”.

Additionally, there was uncertainty about the future of Frente Amplio in both the government and legislative branches. As another interviewee (Interview #36) notes,

“the opposition thought that there was no way to have three periods of Frente Amplio in government. We neither. We did not know even if we could have had majority in Congress. (...) I guess that idea was also behind our willingness to introduce as much reforms as possible during the first Frente Amplio government”.

The uncertainty about Frente Amplio's future political muscle contributed to accelerating the timing for the policymaking of wage reforms and to include in Frente Amplio's first term as many reforms as possible.

The cohesion among Frente Amplio legislators in a context of embedded legislative majority is another factor that explains the fast implementation of wage policy reforms. During the interviews, policymakers (Interview #36, Interview #40, Interview #44, Interview #45, Interview #47, Interview #52, Interview #54) from Frente Amplio and the opposition recognised that the left-wing coalition used its embedded legislative majority to effectively approve the contents of the reforms. Furthermore, respondents observe that Frente Amplio legislators' cohesion in pursuing the trade union reform agenda generated a solid consolidated position for maintaining the core of wage reform proposals. However, respondents have two different views on the way Frente Amplio conducted the policy debate. On the one hand, opposition representatives (Interview #44, Interview #45, Interview #52) point out that Frente Amplio had no intention of including opposition and business elites' points of view in the reform content. Furthermore, interviewees from the opposition mention that Frente Amplio prepared the reforms behind closed doors without a chance for a real debate. As one respondent observes (Interview #45),

“the debate was broad in terms all the issues to discuss the topic (collective bargaining reform). However, at the end Frente Amplio imposed its will. They had no intention to listen to a different opinion. They had -like nowadays- majority in both chambers. That's the reality”.

On the other hand, Frente Amplio representatives observe that all the reform proposals were discussed extensively in both Senate and Congress (Interview #36, Interview #40, Interview #47, Interview #54). These interviewees note that the left-wing coalition was totally open to interacting with the opposition and improving the contents of the reforms. One interviewee (Interview #47) observes, “we discussed everything with everybody. Everybody was listened to. We had open discussions. (...) Obviously, we had conversations with the government but like any other coalition. And we agreed on the importance of these reforms”. Therefore, independently of legislators' perspectives on how closed or open Frente Amplio was in the

debate of wage policy reform, the embedded legislative advantage brought internal cohesion in the left-wing coalition.

Another issue related to Frente Amplio's embedded legislative advantage was the role that the party linkage would have played in a hypothetical situation without a legislative majority. Even though the embedded legislative majority is recognised as a factor that accelerated and broadened the scope of labour reforms, Frente Amplio's legislative majority had no precedent in Uruguay since the return to democracy in 1985. Moreover, law and reform proposals in Uruguay before Frente Amplio were debated and negotiated with a larger number of legislators with different positions on the proposals, either in opposition or in the same party (Castiglioni, 2005; Bogliaccini, 2012; Luna, 2014). Therefore, Frente Amplio's embedded legislative majority was a new factor in policymaking, but, based on what had happened in Uruguay before Frente Amplio, a legislative majority did not guarantee the implementation of original proposals of laws and reforms. Moreover, having a legislative majority did not imply that new reforms were discussed in the legislative. The case of the pre-legislative discussion of a possible collective bargaining reform at the end of the 1990s, when the Blancos and Colorados pact allowed a legislative majority, contextualise the importance of the party linkage even with a legislative majority.

The importance of the strong linkage party character of Frente Amplio played a role to make its embedded legislative majority a factor for wage policymaking. Furthermore, as the successful implementation of wage policies suggests, the strong linkage of the left-wing coalition benefited from the embedded legislative advantage not just for implementing the trade union reform agenda but also to accelerate reforms. In that sense, the embedded legislative majority was a factor used by the coalition to express its commitment to trade union agendas. Additionally, there is evidence that Frente Amplio's strong linkage with trade unions would imply a tough position for negotiating labour reforms if Frente Amplio had not had a legislative majority. As one respondent (Interview #39) mentions,

“I think we would have gone with the original proposal (of collective bargaining reforms) with or without (legislative) majority. (...) It was something we have been working many years before (arriving to power). We were prepared to fight and expose those opposed to improve workers' rights”.

On the other hand, there were cases when Frente Amplio did not have a unanimous position for their reforms proposals. As one interviewee (Interview #47) notes, “there were moments when we had internal differences. Like the voting on the abortion law. There was not consensus and one Frente Amplio legislator voted against arguing conscious objection”. Therefore, even though Frente Amplio had a legislative majority, it did not guarantee a clear path for approving a reform proposal at face value. As a consequence, the strong linkage with trade unions was a decisive factor in uniting the coalition in order to implement wage policy reforms.

This section analysed how Frente Amplio’s embedded legislative majority accelerated the timing for wage policy reforms in the coalition’s first period in government. Moreover, Frente Amplio’s programmatic approach to labour policies, facilitated the inclusion of other labour policies in a shorter period of time. As is discussed throughout this chapter, the legislative advantage of Frente Amplio also triggered a sense of urgency in the left-wing coalition based on uncertainty about its political future. Additionally, the legislative advantage generated greater cohesion in the left-wing coalition. Finally, there is evidence that, the party linkage played a role to unite the coalition in order to include and accelerate trade union agendas for wage policy reforms.

5.2.3. The effect of an embedded legislative majority in tightening the relationship between Frente Amplio and trade unions

This section analyses how Frente Amplio’s embedded legislative majority influenced the relationship between the Uruguayan left-wing coalition and both trade unions and business elites. As is discussed throughout this section, Frente Amplio’s embedded legislative majority allowed it to tighten the relationship between Frente Amplio and PIT-CNT, generating more trust between the coalition and trade unions and facilitating the implementation of the mutual agenda. On the other hand, the closer relationship between Frente Amplio and PIT-CNT also generated a more distant relationship between the left-wing coalition and business elites. As a consequence, business elites felt rejected, triggering a more difficult scenario for the future implementation of wage policies.

As aforementioned, the embedded legislative majority facilitated and accelerated Frente Amplio's ability to implement collective bargaining reforms. Moreover, the successful implementation of wage policy reforms tightened the relationship between trade unions and the left-wing coalition as wage policy reforms were seen as a signal of Frente Amplio's commitment to the common agenda. In particular, during the period 2003-2004, PIT-CNT and Frente Amplio defined a joint platform of labour reforms, including the reactivation of Wage Councils and the implementation of legislation to enforce collective bargaining. The operationalisation of the agenda in the Legislative reinforced the relationship between trade unions and Frente Amplio (Interview #39, Interview #40, Interview #42, Interview #47, Interview #48, Interview #54). As one respondent (Interview #48) observes, "we discussed the agenda with Frente Amplio before they came to power. We had confidence in the implementation of the agenda of labour reforms (...) but when it was implemented, the trust consolidated". In addition, Frente Amplio's commitment to a trade union agenda was also manifested in the importance of the fast implementation of wage policy reforms. One interviewee (Interview #47) notes,

"we had a clear position about the importance of implementing the trade unions agenda as soon as possible. For us as Frente Amplio it was a way to show our commitment with PIT-CNT. (...) Our advantage (in the legislative) allowed us to make that commitment a reality".

The interest of Frente Amplio to show its commitment to the mutual agenda was not just seen as a matter of number of votes but also of composition because many legislators were former trade union representatives. As one respondent (Interview #39) observes,

"we had majority (in the Legislative) but we also had an important number of colleagues that were former PIT-CNT representatives. (...) It was not just about the quantity or advantage, it was also about the composition. The results just confirmed our willingness to the agreed agenda we had with trade unions".

Consequently, the mutual trust between trade unions and Frente Amplio was developed before 2005, and consolidated when wage reforms were implemented and through the left-wing coalition embedded legislative representation.

Frente Amplio's embedded majority in both the Senate and Congress also contributed to increase the mutual trust between trade unions and the coalition by empowering trade unions. Furthermore, the fast and successful implementation of wage policies and labour policies enforced trade unions after years of weakening, both in terms of their political strength and in their ability to attract affiliates. One respondent (Interview #40) highlights that,

“during the dictatorship and the democratic transition worker's rights were diminished. We used our (legislative) majority to reverse what was a clear trend that made trade unions weaker. (...) In that sense, the majority in the Legislative allowed us to level the ground for workers”.

Another interviewee (Interview #42) also mentions that, “it was just fair. I mean, throughout the eighties and nineties the relationship among capital and labour was totally unbalanced. We had to rebalance labour relations. And that meant we had to introduce reforms that enforced trade unions position”. In addition, the successful implementation of wage reforms through a legislative majority also made trade unions more confident in terms of their reform agenda. A by-product of trade unions' successful reform agenda was the increasing number of affiliates. As one interviewee (Interview #48) notices, “definitively, the successful policy implementation helped us not just to have a closer relationship with Frente Amplio. It also helped us to increase the number of our affiliates dramatically”. Consequently, the embedded legislative majority of Frente Amplio empowered trade unions through trade unions' active political participation in wage policymaking and the growing incorporation of new affiliates.

Frente Amplio's embedded legislative majority also generated a more distant relationship among the left-wing coalition and business elites. Frente Amplio's dominant position in the legislative and the closer relationship with trade unions, protected Frente Amplio's decision-making from the influence of the business elite. However, this aspect had different interpretations that changes according to the position of the interviewees. On the one hand, a group of respondents (Interview #36, Interview #39, Interview #40, Interview #42, Interview #47, Interview #48) note that the close relationship between trade unions and Frente Amplio had historic roots that started in the 1960s and allowed them to generate through time a wage policy agenda that was clearly in contraposition to the agenda of business elites. In that

sense, even though Frente Amplio opened the debate to all parties involved in wage policy reforms, there was a clear preference towards the trade union agenda. As one interviewee (Interview #47) observes, “the collective bargaining reforms were discussed openly with all stakeholders. But we had a clear preference. (...) It was up to us and we decided based on our relationship with PIT-CNT. There was no mystery”. Another respondent (Interview #42) comments that “employers had a clear preference for traditional parties. They influenced wage policies in the past. This was the time for workers. (...) Obviously, workers were not listened before but were listened with Frente Amplio”. Thus, Frente Amplio’s preference for the trade union agenda was a natural outcome that reverted the advantage that business elites had in the past to influence wage policymaking.

On the other hand, there were respondents (Interview #30, Interview #31, Interview #44, Interview #45, Interview #52) that interpreted the distance between Frente Amplio and business elites as a contradictory signal for a coalition that has a discourse of inclusiveness. As one interviewee (Interview #44) mentions, “they say they listened to people but they did not. It is not something about being anti-employers. (...) But you have to include all point of view in the discussion of any reform. Particularly labour reforms.” Another interviewee (Interview #31) observes that, “the Frente (Amplio) say they promote social dialogue. But it was something different when we discussed the (wage policies) reforms. Employers representatives were not listened at all”. Even though those interviewees recognise the Frente Amplio’s right to be more aligned with the PIT-CNT reform agenda, these respondents highlight the lack of a more thorough and open debate when the reforms were discussed in order to have more consensual reform. One respondent (Interview #52) observes that, “it was important that the message would have had more political support than that Frente Amplio had with (legislative) majority, legitimate but borrowed. (...) The country is trapped by the internal differences among different sectors (in Frente Amplio).” Hence, the distance among trade unions and business elites was seen as a sign of contradiction on the left-wing coalition’s inclusive approach to policymaking.

One consequence of the distance Frente Amplio had with business elites was a tenser relationship that triggered the reaction of business elites at an international level. After the adoption of the collective bargaining law in 2009, business organisations decided to file a complaint to the ILO’s Freedom of Association Committee in 2011. Business organisations

argued that the approved collective bargaining framework contradicted international norms on the matter. Moreover, the complaint pointed to the presence of the state in the negotiation process, since collective bargaining should take place between trade unions and business organisations. The complaint was the first real power demonstration of business elites and a consequence of their inability to influence Frente Amplio's wage policymaking. As one interviewee (Interview #36) mentioned, "the complaint was a protest to the ILO considering employers lack of influence in Frente Amplio. It is more like a dissuasive measure rather than a real problem". Another respondent (Interview #40) emphasised the growing frustration of business elites, "they (employers) used the complaint as a way to see if they can force Frente Amplio to negotiate. But also showed their willingness to change the collective bargaining structure". Consequently, even though the complaint to the ILO's Freedom of Association Committee was more symbolic than effective in changing Frente Amplio's wage policymaking, through the complaint business elites showed their willingness to revert wage policy reforms.

This section analysed how Frente Amplio's embedded legislative advantage influenced its relationship with trade unions and business elites. In particular, this section addresses the importance of Frente Amplio's embedded legislative advantage to increase the trust among both Frente Amplio and PIT-CNT, empowering trade unions capacity to influence wage policymaking and their affiliation rates. Conversely, the close relationship between Frente Amplio and PIT-CNT produced a distant relationship between the left-wing coalition and business elites. Hence, business elites felt rejected and reacted by complaining in an international political arena, setting the tone to challenge wage policies in the future.

5.3. The importance and limitations of legislative participation for wage policymaking analysis

The discussion in this section highlights the impact and limitations of the legislative participation variable to analyse wage policymaking in Chile and Uruguay. Using the definition of legislative participation based on the legislative composition of current legislative periods, this section identifies three elements linked to variable legislative participation: a) how the

democratic transition influences legislative participation, b) how the coalition uses legislative participation as an argument to contain or enforce the trade union reform agenda and c) how the coalition's use of legislative participation shapes their relationship with trade unions and business elites. Additionally, this section points out the difficulties of using variable legislative participation as a sufficient condition to explain changes in wage policy. In particular, this section highlights the influence of the party linkage to instrumentalise legislative participation.

Throughout this chapter the discussion on how legislative participation influenced wage policymaking in Chile and Uruguay, highlighted the importance and limitations that this variable had in both countries during the democratic transition. As previously discussed, I use a definition of legislative participation based on the legislative composition of current legislative periods. In that sense, variable legislative participation implies three categories. The first implies a legislative minority that forces the negotiation process of wage policy in the legislative. Additionally, I differentiate legislative majority into two types. On the one hand, an embedded majority that reflects the important participation of trade union-linked legislators inside the coalition. This category implies a high likelihood to expand wage policies. On the other hand, in the not-embedded majority, trade union-linked legislators' participation is low. Therefore, the likelihood to expand wage policies is lower than in the embedded majority category.

Table 5.3. Chile: Evolution of legislative participation and wage policies. 1990-2010

Presidential period	Government coalition and its legislative participation			Most important wage policy characteristics	
	Government	Congress	Senate	Minimum wage	Collective bargaining
1990-1994	Concertación	Not embedded majority	Minority	Important increases during the first years	No adjustments
1994-2000	Concertación	Not embedded majority	Minority	Important raises through automatic formula in 1998-2000	Reforms discussed in 1999. Triple draw in Senate
2000-2006	Concertación	Not embedded majority	Minority/Draw	Adjustments considered inflation and productivity	No adjustments
2006-2010	Concertación	Not embedded majority	Not embedded majority	Discussion on Ethical Wage. Domestic service minimum wage leveled the national minimum wage	para-legislative Discussion on Ethical Wage. No legislative discussion

Fuente: Elaborated by the author

As tables 5.3 and 5.4 show, using these definitions, the legislative participation variable has had different trajectories of in Chile and Uruguay. Under Concertación governments, the Chilean coalition had a not-embedded majority in Congress but a minority in the Senate, something that changed in the period 2006-2010 when Concertación had a not-embedded majority in both legislative chambers. However, during its four consecutive terms in government, Concertación did not legislate on collective bargaining reform with the only exception of a proposal for reforming collective bargaining during president Frei's term (1994-2000). This inability to reform collective bargaining contrasted with the active use of minimum wage policies and the possibility to include specific laws. In particular a law in 1998 activated a triannual automatic adjustment of minimum wage and a law in 2008 introduced triannual adjustments to equal domestic workers minimum wages to the national minimum wage.

Table 5.4. Uruguay: Evolution of legislative participation and wage policies. 1990-2015

Presidential period	Government coalition and its legislative participation			Most important wage policy characteristics	
	Government	Congress	Senate	Minimum wage	Collective bargaining
1985-1990	Partido Colorado	Minority	Minority	Policy focused on decreasing real minimum wages	Wage Councils reinstated
1990-1995	Partido Nacional	Minority	Minority	Policy focused on decreasing real minimum wages	Wage Councils deactivated
1995-2000	Partido Colorado	Not embedded majority a/	Not embedded majority a/	Policy focused on decreasing real minimum wages	Wage Councils deactivated
2000-2005	Partido Colorado	Not embedded majority a/	Not embedded majority a/	Policy focused on decreasing real minimum wages. Change of policy implementation in December 2004	Wage Councils deactivated
2005-2010	Frente Amplio	Embedded majority	Embedded majority	Active use of minimum wages	Wage Councils reactivated. Expansion of Wage Councils to other sectors. Collective bargaining law in 2009
2010-2015	Frente Amplio	Embedded majority	Embedded majority	Active use of minimum wages	Wage Councils cover almost 100% of employees.
2015-	Frente Amplio	Embedded majority	Embedded majority	Active use of minimum wages	Wage Councils cover almost 100% of employees.

Fuente: Elaborated by the author

a/ Even though Partido Colorado did not have majorities in either legislative branch, its alliance with Partido Nacional make it possible to obtain a not embedded legislative majority

In the case of Uruguay, the first four terms since the country returned to democracy were characterised by the absence of a majority in the legislative for the party in power. However, the alliance between Partido Colorado and Partido Nacional from 1995 to 2005 allowed the possibility to achieve not-embedded majorities in both periods. Even though Wage Councils were reactivated in the first Colorado's government, real minimum wages decreased and there were no reform proposals to enforce Wage Councils institutional framework. In the next three governments, real minimum wages continued to decrease, Wage Councils were deactivated and there were no proposals to debate a law for collective bargaining in the legislative. Conversely, the arrival of Frente Amplio to government in 2005 implied not just a

change in the presence of the two traditional parties but also the unprecedented embedded majority that the left-wing coalition had in Congress and the Senate. Accordingly, during the first Frente Amplio term Wage Councils were reinstated, collective bargaining was extended to domestic workers through a new law in 2006 and a collective bargaining law was approved, constructing the institutional infrastructure for the continuity of Wage Councils.

As seen in sections 5.1.1. and 5.2.1., Chile and Uruguay had differences in terms of their legislative participation during their centre-left or left-wing governments. In the Chilean case, the democratic transition allowed pro-Pinochet parties to have a majority in the senate through Designated Senators until 2005. Conversely, the democratic transition in Uruguay facilitated the legislative participation of all parties, including Frente Amplio. Furthermore, the increasing legislative participation of Frente Amplio triggered a process that allowed the Uruguayan coalition to have an embedded majority in both the Senate and Congress and use that advantage for implementing active wage policies and incrementing the coverage of wage policies to informal workers. On the contrary, Concertación had a not-embedded majority in both the legislative branches from 2006 but did not reform collective bargaining in order to focus its efforts on other social policy reform.

The analyses in sections 5.1.2. and 5.2.2., show important differences among the role that variable legislative participation had when interacting with the party linkage variable. In particular, whilst Concertación, a soft linkage coalition, used its minority in the Senate as a pretext to justify the unsuccessful implementation of collective bargaining reform, Frente Amplio's strong linkage character allowed the Uruguayan coalition to successfully implement wage policy reforms. Additionally, the legislative advantage triggered the Uruguayan coalition's willingness to accelerate wage reforms. On the contrary, even though the Chilean coalition had not embedded majority in both legislative branches in 2006-2010, other policy priorities limited the centre-left coalition's willingness to introduce wage policy reforms in that period. Finally, by voting cohesively to approve wage reforms Frente Amplio reaffirmed its commitment to the trade union agenda. Conversely, the internal divisions on wage policy in Concertación and a majoritarian pro-economic growth position highlighted the soft linkage to the trade union agenda of the Chilean coalition and its need to reduce the visibility of their conflicts through the senate minority justification.

Throughout sections 5.1.3. and 5.2.3. the analyses denote how the legislative participation of both coalitions shaped their relationship with trade unions and business elites. In the Chilean case, Concertación's minority in the senate was seen as a way to justify the preference of some legislators to include the agenda of business elites in wage policymaking. Moreover, the senate's disadvantage allowed more progressive Concertación governments to have better relationships with business elites. This approach to the business elites' agenda continued when Concertación had a not-embedded legislative majority. On the other hand, Frente Amplio's embedded legislative majority served to tighten the linkage between trade unions and the Uruguayan left-wing coalition. As a consequence, business elites could not influence Frente Amplio's wage policymaking. Finally, the minority in the Senate increased the sense of disengagement with the trade union agenda in Concertación, generating a need to compensate through minimum wage policies. Conversely, Frente Amplio's embedded legislative majority was a tool to empower PIT-CNT and increase its affiliates.

The differences discussed between the cases in Uruguay and Chile highlight three interlinked elements. First, the analyses show that the type of democratic transition shapes the course of legislative participation at least during the beginning of the transition. The democratic transition in Chile had an effect in impeding Concertación's electoral dominance in the senate, limiting its capacity to implement collective bargaining reforms whilst Uruguay's democratic transition facilitated Frente Amplio's capacity to gain presence in both the Senate and Congress. Second, legislative participation does not necessarily imply absence/presence of the coalition capacity to implement reforms, even when a ruling coalition has a legislative minority. As the Chilean case shows, the minority in the senate did not mean Concertación had no capacity to negotiate an agreement on a collective bargaining reform with designated senators. The possibility was boycotted within Concertación's legislative representation. Furthermore, during the period 2006-2010, the Chilean coalition had a not-embedded legislative majority but decided not to implement collective reforms in order to prioritise its social policy reforms. Conversely, Frente Amplio had an unprecedented embedded majority in the legislative that allowed the Uruguayan coalition to implement and accelerate its labour reform agenda. The previous experiences in Uruguay, when at the end of the 1990s Blancos and Colorados co-governed and dismissed the possibility of discussing a collective bargaining reform in the legislative, show that the legislative advantage did not necessarily mean a

disposition to having a legislative debate on wage policy reform. Third, legislative participation influenced the relationship of the coalition with trade unions and business elites. Concertación used its Senate minority as a justification for its internal disagreements, that concealed its soft linkage to the trade union agendas and Concertación's need to improve its relationships with business elites. As a result, the lack of success for implementing wage policy reforms generated a need to compensate trade unions with minimum wage policies. On the contrary, the Uruguayan case shows that the embedded legislative majority allowed Frente Amplio to tighten the coalition's relationship with trade unions, empowering trade unions and making them more confident of Frente Amplio's commitment to their agenda. In addition, the closer Frente Amplio-trade union linkage amplified the coalition's distant relationship with business elites. Furthermore, business elites felt increasingly displaced, generating a greater animosity against Frente Amplio.

The aforementioned discussions also suggest the inconvenience of using legislative participation as a variable with similar explanatory power to the party linkage variable. As analyses of the cases of Chile and Uruguay show, even though the legislative participation variable is useful to understand the capacity that centre-left and left-wing coalitions have to implement reforms that expand wage policy, it is subordinated to the party linkage of the coalition in power. In the case of Chile, the minority that Concertación faced in the Senate from 1990 to 2005, was a limitation that made the implementation of collective bargaining reforms difficult. However, the minority in the Senate also concealed the internal disagreements in Concertación that made a consensual implementation of collective bargaining reforms difficult. In that sense, according to the party linkage of the Chilean coalition, the minority was used as a pretext to hide internal conflict. In the period when Concertación had a not-embedded majority in both Senate and Congress (2006-2010), the coalition did not discuss collective bargaining reform. This was also a strategic decision based on the problems generated in the past and the importance that social security reforms had for Bachelet's first government. In addition, the Senate minority of Concertación also concealed a more neutral approach towards wage policy reform, that considered the agendas of both trade unions and business elites. In that sense, Concertación's minority in the Senate functioned as an alibi to decrease expectations, particularly among trade unions. As a consequence, the political muscle of trade unions decreased during the democratic transition,

the influence of business elites increased in Concertación's wage policymaking and internal disappointment grew among the pro-labour members of Concertación, who felt in debt to workers' demands.

In the case of Uruguay, Frente Amplio's sustained embedded legislative majority facilitated the successful and fast implementation of wage policy reform due to the strong party linkage of the Uruguayan left-wing coalition. Moreover, the embedded legislative majority eased the path towards various and ambitious reforms, that generated institutional infrastructure through Wage Councils and the expansion of collective bargaining towards more informal workers, such as domestic workers. In that regard, the embedded legislative majority facilitated the possibility of giving signals to Frente Amplio's labour constituency, PIT-CNT, that their agreed agenda was going to be implemented and, even more, extended. In addition, the embedded electoral majority also generated the conditions of a more independent left-wing coalition when the reforms were discussed with the opposition and business elites. Consequently, the cases of Uruguay and Chile provide evidence to argue that the party linkage variable has a clearer pre-eminence over the electoral competition variable. This pre-eminence is expressed in the former variable operating the latter as a legislative space to express the coalition's linkage with trade union agendas.

The discussion over the interactions of the cited elements configure the structure where the variable legislative participation works. The type of democratic transition shapes the extent to which the variable really expresses legislative participation based on electoral results. Therefore, the type of democratic transition conditions the coalition's capacity to introduce wage policy reform using its electoral legislative strength. However, this element is less influential when the possibility to negotiate an agreement with the opposition to legislate wage policy reform is feasible. Similarly, the type of democratic transition also loses its influence when there are institutional changes that stop the left-wing or centre-left wing coalition's sub-representation in either legislative branch. Additionally, as discussed in chapter 4, the type of democratic transition also has an impact in the linkage between ruling coalitions and trade union agendas.

The party linkage of the coalition plays a decisive role in how the legislative participation of the coalition allows an active use of wage policies. If the coalition has a soft linkage with the

trade union agendas, the wage policymaking tends to circumvent the implementation of collective bargaining reforms using the legislative minority as a justification for not exposing internal contradictions, to contain trade union pressure and to facilitate a more fluid relationship with business elites. In addition, if the soft linkage coalition has a not-embedded majority, it would try to avoid collective bargaining reforms in order to prioritise other social policies that are seen as less harmful to economic stability. This strategy will also produce a distance with trade unions and a closer relationship with business elites. In both cases (minority or not-embedded majority), soft linkage coalitions will try to compensate trade unions with active minimum wage policies. On the other hand, if a coalition has a strong linkage with the trade union agenda, its legislative majority, particularly if it is embedded, speeds up the pace of reforms, generating a closer relationship with trade unions and a protective distance from business elites influence. Finally, these interactions generate feedback through trade unions and the demands of business elites on the ruling coalition and the legislative arena.

5.4. Conclusion

This chapter offers evidence of the importance and limitations of the legislative participation variable for the analysis of wage policymaking. The cases of Chile and Uruguay provide good examples of the necessary existence of the legislative participation variable, in order to have more or less space to implement wage policy reforms that extend collective bargaining and minimum wages. Aspects such as the type of the democratic transition and the ruling coalition linkage to trade union agendas, are elements that define the impact of legislative participation. However, the impact of the type of democratic transition is less influential than the party linkage. As the cases of Uruguay and Chile show, the party linkage defines the willingness to overcome a legislative minority or use a legislative majority to introduce wage policy reforms. In that sense, the legislative participation variable is a necessary but not sufficient condition to introduce wage policy reform. Additionally, the party linkage variable defines the instrumentalisation of the legislative participation variable to shape the relationship with trade unions and business elites. In that sense, when the coalition's linkage with trade unions is stronger and the coalition has an embedded legislative majority it

certainly extends wage policies. The embedded legislative majority also helps to tighten the coalition's relationship with trade unions and generate a distance from the influence of business elites. On the contrary, when the coalition's linkage is softer, the coalition instrumentalises the use of the legislative participation variable in order to contain trade union demands and improve its relationship with business elites. As a consequence, minimum wages are more active whilst collective bargaining reforms are limited.

Chapter 6. Analytical discussion of the wage policymaking process in Chile and Uruguay

6.1. A typology to discuss the wage policymaking

As discussed in chapter 4, the party linkage of ruling coalitions shaped the evolution of wage policy in Chile and Uruguay. In particular, the level of participation of trade unions in the coalition was a clear indicator of how strong or soft was the linkage between the coalition and the trade union wage policy agenda. On the other hand, chapter 5 highlights the importance of the legislative participation of ruling coalitions to discuss and approve collective bargaining reforms. Even though the existence/absence of a legislative majority is a necessary condition that influences the implementation of wage policy reform, the cases of Chile and Uruguay show that this variable is not a sufficient condition because it is also shaped by the party linkage. Consequently, the idea of an embedded legislative majority operationalises the connection between the legislative muscle that a ruling coalition has and the existence of an important participation of a key constituency such as trade unions.

The previous discussions also highlight the influence of other contextual variables on wage policymaking. Furthermore, these contextual variables, such as the type of democratic transition, the existence of an economic growth imperative and the availability of other policies to target poverty reduction and redistributive goals also influence the active use of wage policies as part of the institutional legacies. Moreover, as seen in chapter 3, these elements influenced the possibility to have a legislative majority, the use of an economic growth imperative discourse by the ruling coalition and the preference of these coalitions towards social policy vis-à-vis wage policy. Accordingly, the party linkage of the ruling coalition defines the use of the economic growth imperative to limit/allow the implementation of collective bargaining reforms and to set the level of complementarity between social and wage policy. Additionally, the party linkage also defines the strategic ability to overcome legislative obstacles set by the democratic transition. On the other hand, the embeddedness of trade unions in the legislative coalition's participation permits that the need for economic growth and the use of social policy not to be seen as exclusionary but as a complement to the activation of wage policies. Consequently, both the party linkage of the

coalition and the embedded legislative majority have a preeminent influence on wage policymaking.

For the analysis of wage policymaking, the combination of the party linkage of a ruling coalition and its legislative representation generates a pattern of wage policies. As presented in chapter 1 and reproduced in table 6.1., the wage policy outcomes are linked to the strength of ruling coalitions' linkage to the trade union agendas (rows) and the type of legislative majority (columns) these coalitions have. Thus, the axis of the ruling coalitions' linkage to trade union agendas shows the interest of these coalitions in activating both collective bargaining and the minimum wage. The weaker/no linkage characterises the great distance between the ruling coalition and trade unions, resulting in a preference for passive wage policy. In addition, the soft linkage of the ruling coalition shows a preference for activating minimum wages but containing the active use of collective bargaining. Finally, the strong linkage refers to the ruling coalition's preference for the active use of both wage policies.

Table 6.1. Typology of wage policies policymaking based on the linkage to trade union agenda and legislative participation of the coalition

Party linkage/Legislative participation of the coalition	No legislative majority	Not embedded legislative majority	Embedded legislative majority
Weak or no linkage	Restrictive use of both wage policies a/	Restrictive use of both wage policies a/	Unlikely scenario b/
Soft linkage	Limited collective bargaining extension	Limited collective bargaining extension	Undefined outcome c/
Strong linkage	Efforts to activate both policies	Efforts to activate both policies (higher likelihood)	Active use of wage policies

a/ These outcomes are subject to the agreements about wage policies during the democratic transition.

b/ It is very unlikely that trade unions will be embedded in a legislative majority of right-wing parties/coalitions.

c/ The final outcome will depend on the embeddedness of business elites in the coalition. At the same time, a high legislative participation of trade unions seem to be more likely in a coalition with a stronger linkage.

On the other hand, the axis of the legislative participation shows that the strength in the legislative does not change the wage policy priorities of a coalition but defines its possible strategies. Accordingly, in the case of weak/no linkage coalitions with a legislative minority they will follow a passive use of wage policies whilst in the case of a not-embedded majority these coalitions will try to implement or reinforce pro-business collective bargaining reforms with passive minimum wages. In addition, soft linkage coalitions will implement different strategies for the combination of active minimum wages and passive collective bargaining. Therefore, with a legislative minority these coalitions will use their minoritarian position as a pretext to not implement collective bargaining reforms. However, with a not-embedded majority soft linkage, coalitions could decide either to argue that they will prioritise other policy reforms or to implement more moderate collective bargaining reforms. In the case of an embedded majority, the final outcome is undefined because the implementation of a trade union agenda for collective bargaining will depend on the embeddedness of business elites in the soft linkage ruling coalition. Finally, the axis of legislative participation shows how likely the extension of wage policies is for strong linkage ruling coalitions. Therefore, whilst a legislative minority implies a more difficult path to activating both minimum wages and collective bargaining, an embedded majority makes the extension of wage policies through pro-trade union collective bargaining reforms and active minimum wages totally feasible.

To exemplify the use of this analytical framework to study wage policy I analyse four cases of wage policymaking in Chile and Uruguay. In each case, there are two parts. The first part shows the elements (antecedent and concurrent) that were part of the wage policymaking of different periods in both countries. The second part discusses these elements and the hypothesis that finally frame how the variables interact. Therefore, in section 6.2. I illustrate the case of a limited collective bargaining extension with a legislative minority that refers to the case of wage policies during Eduardo Frei's government (1994-2000). In addition, section 6.3. illustrates the case of a limited collective bargaining extension with a not-embedded majority that refers to wage policymaking during the first Bachelet government (2006-2010). On the other hand, section 6.4. represents the case of active use of wage policies that occurred during Tabaré Vázquez's first government (2005-2010). Section 6.5. illustrates the case of restrictive use of wage policies with a not-embedded majority during Julio Sanguinetti's second government (1995-2000). Finally, in section 6.6. I discuss these cases and

use the analytical framework to classify the wage policymaking of Chilean and Uruguayan governments in the post-dictatorial period.

6.2. Limited collective bargaining extension with a legislative minority: Collective Bargaining reform in 1995-1997 (plus discussion in 1999) and minimum wage triannual law (1998) in Chile.

6.2.1. The evolution of wage policymaking during Eduardo Frei's government (1994-2000)

After the first Concertación government (Aylwin 1990-1994) several reforms were implemented, particularly to de-criminalise union representation and to give back individual rights to workers (Campero, 2007; Campero, 2018). At the same time, minimum wages experienced important increases, compared with the low levels registered during the military regime (García, 1991; Cortázar, 1997; Marinakis and Velasco, 2006). A tripartite body composed of government, trade unions and business elite representatives discussed various aspects of possible labour reforms in what was called the "Framework agreement"¹⁸ (Campero, 2007). In that context, minimum wage increases were accepted but no agreement was possible to discuss collective bargaining reform. As a consequence, Concertación's second government (Frei 1994-2000) faced the challenge of improving collective labour conditions demanded by the trade unions. Concertación faced a different context compared to the first period (Campero, 2018). On the one hand, the tripartite body dissolved after the reluctance of business elites to continue discussing labour reforms. Moreover, business elites and pro-Pinochet parties declared labour reform a finished issue during Aylwin's presidency. On the other hand, there was less consensus among Concertación's legislators to support collective bargaining reform (Campero, 2007). In addition, legislators and government officials were also concerned about the possible effects of a collective bargaining reform on economic growth, that averaged 7.2% per year in Aylwin's term.

Despite these issues, Frei's government confirmed its disposition to discuss a collective bargaining reform proposal (Presidential message 21st May 1994). To this end an inter-ministerial commission (Labour, Finance, Economy and Secretary of the Presidency) was

¹⁸ Acuerdo marco in its original in Spanish.

formed to articulate the dialogue with counterparts. Even though a tripartite discussion was not possible, at least a bipartite dialogue (government-trade unions, government-business representatives) was set up in order to refine the proposal's contents. However, as Campero (2007) and interviewees (Interview #1, Interview #18) observe, the inter-ministerial commission was less cohesive in terms of its articulation, with disagreements about the proposal's contents. As one interviewee (Interview #18) notes,

“It was problematic with other economic ministries... There was the implicit opposition of these technocrats and previous (Concertación) ministers. However, they supported the drafting of the proposal knowing its low likelihood for being approved. (...) The Minister of Finance (Eduardo Aninat) is an intelligent neoliberal who knew we had minority in the Senate because there were 9 designated senators”.

Moreover, Concertación legislators had serious disagreements about the topics of discussion (Interview #1, Interview #18, Interview #27). Additionally, business elites were more reactive towards various issues included in the proposal and the pro-Pinochet parties were totally opposed to any change to Plan Laboral's collective bargaining legacy. Despite these problems, all parties agreed to discuss a collective bargaining reform in Congress, and the government sent a proposal in January 2005. The proposal included the possibility of discussing collective bargaining agreements at sector level, that could include SMEs. This implied a major change to Plan Laboral, that located collective bargaining at company level. Other issues were included in the reform proposal such as the right of trade unions to have free access to companies' information, the banning of the right of companies to replace workers in a strike, the simplification of the bureaucratic process to call collective bargaining and the possibility of flexible adjustments of hours of work agreed between workers and employers, with at least 80% support of trade union's affiliates.

The proposal was approved in the Congress in December 1995 based on the advantage that Concertación had in this chamber, doubling the opposition in the voting (Congress report December 1995). However, Congress approved the original text but not the flexibility clauses. Moreover, such clauses were rejected by Concertación legislators and somehow supported by the opposition in Congress (Interview #18). When the reform proposal passed to the Senate, it took two years of discussions at the Labour Commission of the Senate in a difficult

debate (Córdova, 2005; Campero, 2007). There were many complications in the Senate linked to the opposition of pro-Pinochet parties and designated senators (Senate reports of 1996 and 1997) and the criticism of a group of Concertación senators, particularly those who highlighted the negative effects of a collective bargaining on SMEs and the economy (Interview #1, Interview #17, Interview #18, Interview #27). In that hostile context, the government established a strategy to negotiate with the opposition, particularly with the president of the Labour Commission in the Senate and designated senator, William Thayer (Campero, 2007; Interview #1; Interview #18). As a labour lawyer and former Christian Democrat who supported the military regime, Thayer was seen as the person who could become a bridge to achieve an agreement with the opposition in the Senate to legislate on the collective bargaining reform. In particular, through different advisors from the Ministry of Labour and the Minister Jorge Arrate, Frei's government had a period of six months of conversations with Thayer and other opposition senators. This strategy to engage the opposition also included workshops to discuss Concertación's reform proposal (Interview #1, Interview #18). During this period, business representatives were clearly vocal about their opposition to any reform of Plan Laboral, highlighting the impact of the reforms on private investments and economic growth (Córdova, 2005). On the other hand, trade unions were suspicious of the implications of an eventual negotiation with the opposition. In particular, trade unions were concerned about being excluded from the discussions and of a possible quid-pro-quo with business elites that would have diminish some labour rights (Ibid.). As one informant (Interview #18) points out,

“once in the Senate we had to negotiate. (...) However, unions were opposed. We had a conflictive relationship (at that time). They (trade unions) wanted to crash the negotiation process in order to expose that right-wing parties did not want to improve labour rights”.

The conversations finished with a reform proposal that was called the “Thayer-Arrate agreement”. This proposal moderated many of the points of the original draft, substantially reducing the power of trade unions to extend collective bargaining at sector level, to have access to companies' information and to impede replacement of workers during strikes.

Moreover, the “Thayer-Arrate agreement” also included the flexibility clauses that allow employers and workers to modify hours and salaries during particular contextual conditions. This proposal, approved by the Labour Commission, was discussed in the Senate in December 1997 with great expectations in the government over William Thayer’s commitment to convince opposition senators to vote for the possibility to legislate. However, the decision to not legislate won the voting (14 to 13, 1 abstention), in what was seen as a serious setback that included the decision of some Concertación senators to be absent from the vote. As a respondent (Interview #18) observes, “many of the opposition senators change their opinion at the last moment. But what hurt the most was the decision of some Concertación senators to be absent in the voting”.

The unsuccessful experience with the “Thayer-Arrate agreement” proposal meant that the discussion passed to a mixed Commission among Congress and Senate in January 2001, where the debate on collective bargaining reforms was paralysed for almost two years. However, President Frei decided to reopen the debate on the matter in October 1999. The debate on the collective bargaining reform used the original proposal (much more pro-trade union than the “Thayer-Arrate agreement”) in a period of a very disputed presidential election. Moreover, Concertación went to a second round for the first time, with a difference of less than 0.5% between Ricardo Lagos (Concertación) and Joaquín Lavín (opposition). The process of the debate was accelerated, approved in the Congress in November 1999 and voted on in the Senate on 1st December, when the proposal was rejected after three draws in the voting, with some Christian Democrats opposing the proposal (La Tercera, 2001). On the circumstances of the government’s decision to reopen the debate on collective bargaining there are two positions. On the one hand, this was seen as a logical conclusion of a debate opened by President Frei, who wanted to finish the reform on collective bargaining (Campero, 2007; Interview #22, Interview #23). On the other hand, the decision to reopen the debate on collective bargaining was seen as a political manoeuvre to expose right-wing parties as anti-workers (Interview #17, Interview #18, Interview #20). This last position seems to be more likely, considering the timing to restart the debate and the serious problem for the opposition to approve a reform proposal far more radical than the “Thayer-Arrate agreement”. As a respondent (Interview #18) mentions, “(at the time the debate was reopened) right-wing parties wanted to sign the “Thayer-Arrate agreement”. But we knew

they would not allow to include a proposal much more radical". After losing the presidential ballotage, the right-wing opposition also addressed the issue, suggesting that their refusal to approve the reform was a strategic mistake (Fairfield, 2013).

Between the failure to debate the "Thayer-Arrate agreement" and the discussion of collective bargaining reforms during the presidential elections of 1999, Frei's government decided to legislate on minimum wages. This decision was not seen as a priority, considering that minimum wages had experienced rises in real terms with Concertación from 1990 (García, 1991; Marinakis and Velasco, 2006). However, discussions on minimum wages had changed throughout the 1990s. At the beginning of the transition, "Framework agreements" facilitated a tripartite discussion on minimum wages between government, trade unions and business elite representatives during Aylwin's government (1990-1994). Nevertheless, this dynamic of negotiation finished after business elites decided not to continue, arguing that their companies paid more than the minimum wage (Campero, 2007; Interview #1, Interview #5). Hence, during Frei's government, the negotiations on minimum wages became bipartite with trade unions. This new dynamic was considered very exhausting and tense for the government (Interview #1, Interview #5, Interview #18, Interview #23). As one interviewee (Interview #18) notes,

"one of the most complicated moments of the year was the minimum wage negotiation. First, because trade unions were very vocal in their demands, asking for more. (...) Secondly, because the negotiations with the Ministry of Finance were always tense".

Therefore, minimum wage negotiations were a source of conflict for Frei's government. Consequently, after the failure to approve the collective bargaining reforms in the second semester of 1997, Concertación officials' expectations were focused on trying to reduce the level on conflict with trade unions (Interview #1, Interview #18, Interview #23). Furthermore, Concertación officials identified the minimum wage as a policy through which trade unions could be compensated (Interview #16, Interview #19).

In 1998 Concertación discussed a mechanism to adjust minimum wages during the next three years. On the one hand, a formula that included an automatic adjustment for a period of time was necessary. On the other hand, the automatic adjustment needed to be generous enough

to reduce pressure from trade unions (Interview #1, Interview #5). Therefore, using these premises, several labour policymakers discussed a formula in the first semester of 1998 for an automatic readjustment of the minimum wage for the next three years, starting in June 1998. The formula included two sources of increase. One was based on economic forecasts for productivity and inflation rates. In that sense, considering the trend of high GDP growth (5%) and decreasing inflation rates close to 4%, the economic-forecast-based part of the formula was higher than 8% for each year. The second part of the formula was based on a “distributive bonus” that considered the decreasing purchasing power of minimum wages during the military regime. In that sense, this part of the formula was labelled as an explicit compensation for low income workers and generated an additional increase of 2%. Consequently, the increases in nominal minimum wages were set to be over 10% and the proposal was discussed between the Ministries of Labour, Finance and Economy (Interview #1, Interview #5, Interview #18). In that context, the absence (due to holidays) of the Minister of Finance, allowed its deputy (a Socialist) to support the active rise of minimum wages during the inter-ministerial discussions. Moreover, due to the majority Concertación had in the Congress and the lower opposition the Senate had to government proposals on minimum wage rises, law 19564 was approved in May 1998. Additionally, the law set nominal annual adjustments for minimum wages starting in June 1998 (12.7%) and continuing in June 1999 (12.4%) and June 2000 (10.5%).

Even though the reaction of both trade unions and business elites followed their expected patterns of support and opposition to the law, there were no further discussions about reforming the triannual formula for minimum wages adjustments. However, the formula generated concern for Concertación government officials. In particular, the international economic crisis in South East Asian countries triggered a recession in Chile from the end of 1999, impacting the Chilean GDP and productivity. The gap between real productivity and the productivity forecast used in law 19564 accumulated a difference of 15.5% in 2000 (Marinakis and Velasco, 2006). Moreover, the new formula was scapegoated because of a causal connexion to the increase of unemployment rates since 1999 (Corbo and Tessada, 2003; Cowan et al., 2004; Céspedes and Tokman, 2005). In addition, the formula was also criticised for not having an option to interrupt its application due to a change in the real results of the indicators used for adjusting minimum wages (Infante et al. 2003; Marinakis and Velasco,

2006). As a result, Concertación governments used a more moderate approach to adjusting minimum wages from 2001 (Interview #1, Interview #4, Interview #5, Interview #14, Interview #18, Interview #22). However, during the period of the application of the law, there was no discussion inside Concertación on the possibility of reforming the law. This was linked to the political effects that a change in the law could have produced to the coalition's relationship with trade unions. As one interviewee (Interview #18) points out, "we knew that during the crisis our forecasts were wrong and that we should have had options to adjust minimum wages. (...) However, there was a political compromise with trade unions". Another respondent (Interview #1) adds that, "it (the law 19564) had an effect in reducing the level of conflict with trade unions".

6.2.2. Limited collective bargaining extension with legislative minority: analysis of wage policymaking during Eduardo Frei's government

During Frei's government, Concertación had the possibility to implement a collective bargaining reform, as part of its presidential campaign promises in 1989 and 1993. The strategic decision not to implement a discussion of these reforms in Aylwin's term set the need to include these reforms with Frei. However, the conditions from Aylwin's term changed during Frei's administration: there was no tripartite dialogue, Concertación government and legislative representation were less cohesive, and there was lower participation of trade union linked representatives in the legislative. Additionally, even though the economy continued with high grow rates in 1990s, the economic growth imperative was present in the narrative of top Concertación officials in economic ministries and in the legislative. On the other hand, the character of Concertación as a soft linkage party was clear during the draft collective bargaining discussions. Despite the reform draft was approved during the Congress discussion, the difficulties in achieving a majority in the Senate made Concertación look at an alternative to reach an agreement for approval in the Senate. First, identifying designated senator Thayer as a valid counterpart to negotiate. Second, changing a very pro-trade union proposal to a more moderate version ("Thayer-Arrate") that included flexibility clauses. Therefore, even though Concertación had a minority in the Senate set by the democratic transition, the centre-left coalition had the tools to articulate an agreement. However, the unsuccessful experience to have a formal discussion of the proposal in the Senate in 1997, showed that some of Concertación senators' position against collective bargaining impeded

the advance of the law. Moreover, the soft linkage character of Concertación was also clear when the proposal for collective bargaining was reopened in 1999, during a tight presidential election. Thus, using the original more-pro labour collective bargaining proposal, Concertación pushed the opposition into a vote in the Senate that was clearly a challenge in order to show how “anti-labour” the right-wing coalition was. The failure to approve a collective bargaining law was a minor setback next to the objective of gaining support to boost Lagos’s presidential election. Consequently, the second legislative debate on the collective bargaining reform during Frei’s government was more an electoral gambit rather than a plausible opportunity to introduce collective bargaining reform. Moreover, the absence of collective bargaining reform proposals in the 2000s, even during a period of legislative majority in Congress and the Senate (Bachelet) clearly stresses the opportunistic nature of the 1999 collective bargaining reform discussion.

On the other hand, the timing for the discussion of the triannual minimum wage law appeared to be linked to the failure to approve collective bargaining reforms. The increasing erosion of the negotiations between trade unions and Concertación on minimum wages and the lack of success in reforming collective bargaining law generated a tense relationship between trade unions and Concertación. Additionally, the Chilean economy continued with its high growth rates. Consequently, the nature of Concertación as a soft linkage coalition appeared again, when the coalition found a formula to trigger an automatic adjustment that decreased the level of conflict. Furthermore, the formula of adjustment of the minimum wage was generous enough to satisfy trade union demands. The support of both the Congress and Senate to the law, and the absence of adjustment clauses to the forecast for inflation and productivity, clearly show that Concertación’s EGI was less important for a wage policy like the minimum wage compared to collective bargaining. Consequently, the soft linkage character of Concertación allowed the centre-left coalition to navigate between its contradictory forces that opposed/supported a collective bargaining reform and to have an opportunistic approach in order to win a presidential election. The same party linkage operated when implementing a very active minimum wage law. Furthermore, Concertación had a compensatory approach to trade unions in order to diminish the level of conflict linked to minimum wage adjustments and the tense relationship after the collective bargaining reform failure. Considering the relatively lower impact of minimum wages in the economic structure,

Concertación designed a very generous policy for trade unions, disregarding any exit or adjustment clauses in the law.

6.3. Limited collective bargaining extension with a not-embedded majority: Ethical wage commission in 2007-2008 and the minimum wage for domestic workers law (2008) in Chile

6.3.1. The evolution of wage policymaking during Michelle Bachelet's government (2006-2010)

As discussed before, the dynamic of wage policy changed in the 2000s as a consequence of many factors. On the one hand, the economic slowdown that Chile faced from 1999 to the beginning of the 2000s impacted the labour market, raising unemployment rates and limiting the creation of employment. Moreover, due to the criticism that linked the Law (19564) on minimum wages to the negative economic and employment performance, minimum wages returned to annual adjustments using inflation and productivity indicators from 2001 (Marinakis and Velasco, 2006). On the other hand, the arrival of Ricardo Lagos as the first socialist president after Salvador Allende represented a symbolic challenge to his administration. Furthermore, Lagos was particularly interested in a closer relationship with business elites and in continuing the policy of private-public participation on public investments (Interview #1, Interview #14, Interview #19, Interview #22). Additionally, the lack of success in implementing collective bargaining reforms in the 1990s implicitly conditioned the strategy of Lagos' government to focus labour reform proposals on individual labour rights (Campero, 2007; Campero, 2018; Interview #14, Interview #22). In particular, the difficulties in achieving a majority in the Senate continued until Lagos approved a constitutional reform that eliminated designated senators, starting from the next presidential term (Sehnbruch and Siavelis, 2014). As a result, during Lagos's government minimum wages experienced the lowest increases of any Concertación government at that point and collective bargaining reached its lowest levels since the return to democracy (Campero, 2018).

This political and economic context changed when Michelle Bachelet came to power in 2006. Moreover, after Lagos' constitutional reform, Bachelet became the first Concertación president to govern with a majority in both Congress and Senate. In addition, the Chilean

economy started a robust recovery in 2003 that continued until 2008, driven by the increasing demand of the country's mining commodities. Thus, GDP grew on average 5.3% per year from 2003 to 2008 with a positive impact on employment creation and the reduction of unemployment rates to pre-crisis levels (ILO, 2008). In a more positive political and economic context, president Bachelet oriented her mandate towards the expansion of social protection policies and the promotion of women's rights (Sehnbruch and Siavelis, 2014; Campero, 2018). In particular, as a candidate Bachelet promised reform to improve pensions (Arenas de Mesa, 2010; Pribble, 2013; Campero, 2018). Therefore, Bachelet organised a commission of 15 experts that in the first semester of 2006 worked on a proposal for reforming social security, followed by an inter-ministerial commission that drafted the reform proposal during the second half of 2006. Finally, after one year of discussions in the legislative, the law that allowed the participation of the State in the privatised system of pensions through a universal basic pension was approved in January 2008 (Arenas de Mesa, 2010). Consequently, the experience of pensions reform set the tone of policymaking in Bachelet's government. First, emphasising social protection policies as a priority. Second, highlighting the participation of experts to back her proposals. And finally, showing Bachelet's commitment to draft her policy reforms based on the recommendations of experts.

This logic was mirrored when wage policy was discussed in 2007. During a conflict between outsourced workers and mining companies, the mediator and secretary of the Catholic Bishops' Conference, Alejandro Goic, argued in August 2007 that low wages in Chile were unethical (El Mercurio, 2007a). Moreover, Goic highlighted the inequality linked to the low levels of minimum wages, commenting that Chile could reach 250.000 pesos as an ethical wage for the poorest workers, a benchmark 1.8 times the minimum wage at that time. Goic's statement generated a national debate with two clear positions: business elites and right-wing politicians complaining that Goic's proposal would affect the economy and SMEs in particular (El Mercurio, 2007b) and trade unions and left-wing politicians celebrating the possibility of discussing wage inequalities in Chile (El Mostrador, 2007). As a result, president Bachelet announced a new commission to discuss labour market policy in order to improve wages and the income conditions of workers (Cooperativa, 2007). Moreover, as the Minister of Finance, Andrés Velasco noted that the commission was not just focused on wages but on all issues of the labour market. However, Concertación's announcement generated criticism

from trade unions who argued that the commission was a waste of time because it would not arrive at any result (Cooperativa, 2007).

President Bachelet officially created the presidential advisory council, Work and Equity¹⁹, on 23rd August. The council, led by Patricio Meller, had 48 members with different affiliations and was mandated to discuss different issues linked to the inequalities and gaps in the labour market: the structure of the labour market; industrial relations; vulnerable groups; training systems; wages and incomes; SMEs; and productivity. Over eight months, the commission discussed these topics extensively, defining clear proposals when there were majoritarian agreements, such as recommendations on improving the training system and the labour participation of young workers and women. In the issues without consensus, the different positions were stated as well as suggestions to discuss these issues more extensively. This was particularly the case with the collective bargaining debate. Moreover, there were two antagonist positions in the commission: one supporting the current legislation of collective bargaining and another group suggesting the need to introduce reforms to empower trade unions to negotiate wages. As a result, the commission explicitly addressed the lack of agreement on the matter:

“the counsellors did not agree on very relevant issues related to union ownership in collective bargaining, the replacement of striking workers, the levels at which collective bargaining should take place and the mandatory inclusion in collective bargaining of matters that exceed the scope of the company and exceed the power of the employer to organise and manage the company”. (Presidential Advisory Council, Work and Equity final report, p. 32)

As one interviewee (Interview #1) mentions, “there was no consensus at all on collective bargaining, with two clear polarised positions and a smaller group in the middle”. Consequently, no proposal for reforming collective bargaining was delivered to president Bachelet.

On the other hand, the council achieved consensus in the need to enforce the institutional framework to calculate minimum wage adjustments. Furthermore, the council proposed the

¹⁹ “Consejo asesor presidencial Trabajo y Equidad” in its original in Spanish.

creation of a minimum wage council, similar to the British Low Pay Commission, to provide technical support to minimum wage adjustments and to analyse the possible impacts of these adjustments on low paid workers and SMEs. However, there was no agreement on the level of autonomy or the institutional role of this commission. Finally, the council agreed on the idea of tackling poverty using two instruments: a subsidy to labour income of low paid workers and a transfer focused on children from poor families. In particular, the subsidy complemented a maximum of 30% (20% directly paid to workers, 10% to employers) of labour incomes of workers from the 20% poorest households. As another counsellor Interview #4) mentions, “the purpose was to repeat the logic of focalised transfers. Even though there was a subsidy for poor workers, the amounts were minimal compared to the broader discussion of unequal and low wages in Chile”. Consequently, the proposal targeted low income workers and households without impacting the general dynamics of the Chilean labour market in terms of wages or employment.

President Bachelet received the council’s report²⁰ in May 2008 and promised an evaluation of its recommendations. Proposals with high levels of consensus were prioritised and implemented or linked to other policy initiatives, such as gender and training policies. However, the core of the discussions linked to Goic’s demand for an ethical wage in Chile were avoided or postponed. Bachelet’s priorities shifted towards the implementation of social policies in order to attenuate the socioeconomic effects of the financial crisis from the second half of 2008 (Interview #1, Interview #2, Interview #3, Interview #17, Interview #22, Interview #24, Interview #25, Interview #28). Therefore, social policies were activated as well as fiscal expenditure, using Chilean fiscal surpluses accumulated in the 2000s (Fanelli and Jiménez, 2009; Ffrench-Davis, 2010). These policies also included active labour policies to mitigate the impact of the crisis (Campero, 2018). Consequently, the reaction of Bachelet’s government to the crisis displaced the implementation of the core of the Work and Equity council recommendations. Moreover, the proposal to use subsidies for poor workers and children was discussed and approved as a Law (20595) during the right-wing Sebastian Piñera’s government in May 2012. As a respondent (Interview #25) notes, “during that period, we had a sense of enhancing social protection. It was quite clear with the pensions reform and other reforms. And it was also clear that during the financial crisis we also prioritised

²⁰ Informe Final. Hacia un Chile más justo: trabajo, salario, competitividad y equidad social.

social policies responses”. Another interviewee (Interview #17) observes that, “I think the government answer was correct. But, at the end, the delay in implementing the council’s recommendations meant Piñera drafted a law that had a minimal impact on workers’ incomes”.

Even though the Work and Equity council was seen as a great opportunity to support a possible discussion for collective bargaining reform, it reproduced Concertación’s policy approach, privileging the use of social policy instead of distributive interventions in the labour market. As one interviewee (Interview #17) mentions,

“what would you have expected? There was a clear problem in the social security system that required a state intervention in order to ensure a minimum pension that, as its name suggests, is quite low. But there was no consensus about the need to reform collective bargaining. There has not been agreement in the Congress, nor in the public sphere. (...) Therefore, what happened in the council was understandable but not desirable”.

On the other hand, Bachelet’s prioritisation of social policy also displaced the focus of her administration from labour policy in both the government and legislative branches. As one interviewee (Interview #25) notes,

“the discussion of the pensions reform required a great effort. It was the first major intervention on a very powerful privatised system. I guess everybody (in the legislative) was quite conscious that this battle meant a lot. (...) I guess it limited our desire to go into collective bargaining reforms. (...) And then the council did not provide any recommendation on this (collective bargaining reform) matter”.

Another former government official (Interview #24) also adds that, “in the Ministry of Labour we talked about the possibility to draft a collective bargaining reform proposal. We asked the presidency on that possibility. They said no”.

On minimum wages, Bachelet introduced a reform just one month after the final Work and Equity council report. Even though Bachelet’s government did not discuss the implementation of the minimum wage commission proposed by the council or change the pattern of adjustment of minimum wages seen from the Lagos period, in June 2008 a minimum wage

reform was introduced to bring into line domestic workers minimum wages to the national minimum wage. Furthermore, domestic workers' minimum wages were 75% of the national minimum wage at that time and the reform established a progressive increment to reduce this gap starting in March 2009 (83% of the national minimum wage), March 2010 (92%) and March 2011 (100%). Additionally, this change in the structure of minimum wages was a novelty because it was not part of the council's recommendations nor a campaign promise of president Bachelet. Even though domestic workers and pro-women NGOs lobbied for this change, there was no clear evidence that the changes would have arrived during that period (Interview #6, Interview #7, Interview #8, Interview #10, Interview #12). However, the initiative was recognised as part of a broader policy approach of Bachelet's government particularly to enforce women's rights (Interview #6, Interview #24). As one respondent (Interview #24) comments, "president Bachelet took this issue very personal. It was another policy to empower women. (...) At the end, it was an important boost for domestic worker's wages". The legislative debate did not face major challenges and the law was approved in June 2008. Another respondent (Interview #25) observes that, "we had no major problems with the (legislative) discussion. There were concerns from the right about the effect on domestic workers employments but all in all it was seen as the right decision to equal all workers minimum wages".

6.3.2. Limited collective bargaining extension with a not-embedded majority: analysis of wage policymaking during Michelle Bachelet's government

Michelle Bachelet's first government faced important changes in political and economic conditions. In particular, the economic recovery due to the commodities boom and the absence of legislative institutional legacies from the dictatorship allowed Concertación's fourth consecutive government to have both economic growth and a legislative majority for the first time. On the other hand, trade union legislative participation was the lowest of all four periods. Additionally, an agenda of social policy reforms set the priorities of Bachelet's government. In this context, the character of Concertación as a soft linkage coalition operated again as a major policy-driver. Even though the centre-left coalition had a legislative majority and there was economic growth, the prioritisation of social policies displaced collective bargaining initiatives. Moreover, all political efforts in the Concertación government and legislative representation were focused on the agenda of social policies.

At the same time, the experience of implementing reforms in the pension system established a logic to articulate policy proposals. In particular, Bachelet's administration's call to experts to organise a proposal of pension reforms shows a pattern of policy implementation that needed technical support to legitimise policy implementation. Accordingly, when an unexpected social demand for an ethical wage occurred in August 2007, the reaction of the government was to organise a commission of experts to suggest possible reforms for the labour market. Furthermore, the commission did not agree on any proposal for reforming collective bargaining and proposed social transfers and subsidies to compensate for the low wages of the working poor. This episode also suggests that the party soft linkage operated strategically in order to legitimise Concertación's preference for social policies instead of collective bargaining. Therefore, Concertación reacted strategically to an unexpected social demand for better wages through a commission of experts that, in the end, backed the coalition's preference for using social policy instead of wage policy. The coalition's response was even more subtle because it avoided having a legislative debate. Thus, the Chilean coalition discarded the possibility of discussing collective bargaining reform even though it had a legislative majority and a positive economic environment.

On the other hand, even though the national minimum wage did not experience major increases, the decision to equal domestic workers minimum wages to the national minimum wage was a major improvement for domestic worker wages. This activation occurred after Bachelet received the Work and Equity council report. Despite the timing, there is no clear evidence that suggests a linkage between the lack of a clear agenda on wage policy from the council's report and the initiative to equal domestic workers minimum wages to the national minimum wage. Additionally, domestic workers minimum wage law was more likely to be linked to a general policy approach to extend benefits to women. However, the law was the most important active wage policy initiative in Bachelet's government, approved with the coalitions majority in the legislative and with an implementation well beyond inflation and productivity. Consequently, based on the limited impact in the economy of this policy, Concertación's logic of compensating through minimum wages beyond the economic imperative operated again. The only difference was that during Bachelet's government the coalition had a legislative majority that facilitated the discussion of domestic workers minimum wage reform. Therefore, as a soft linkage coalition with a not-embedded majority,

Concertación avoided discussion of collective bargaining reform arguing that pensions reform and social policies were the coalitions' priorities. Nevertheless, the soft linkage of the coalition appeared in a compensatory policy through a minimum wage reform that benefited domestic workers.

6.4. Active use of wage policies: Collective Bargaining reforms and new laws in Uruguay.

6.4.1. The evolution of wage policymaking during Tabaré Vázquez's first government (2005-2010)

After years in opposition, Frente Amplio came to power in March 2005 with Tabaré Vázquez, a former mayor of Montevideo and a moderate figure in the left-wing coalition. The arrival of Frente Amplio to the presidency was pivotal for the Uruguayan political system. On the one hand, Frente Amplio was the first party other than Partido Colorado and Partido Nacional to govern Uruguay. On the other hand, Frente Amplio came to power after a severe economic slowdown that affected the country from the end of the 1990s until 2003. Moreover, Uruguayan economic, labour and social indicators reached their worst levels since the return to democracy. In particular, average and minimum wages experienced a decrease of 23% in real terms from 1999 to 2003. Additionally, Frente Amplio became the first Uruguayan coalition or party to have a majority in both Congress and Senate in the post-dictatorship period. Finally, the left-wing coalition was the first government to have a clear historic linkage with trade unions, a main constituency that participated inside Frente Amplio in both government and legislative representations (Luna 2007; Bogliaccini, 2012; Luna, 2014). Consequently, Frente Amplio had a clear mandate to implement pro-labour reforms and to change the socio-economic dynamics that deteriorated Uruguayan socioeconomic indicators during the democratic period.

Frente Amplio used an agenda of policy implementations elaborated in their years in opposition. Furthermore, as Luna (2014) points out, Frente Amplio became a programmatic party that organised an agenda of reform implementations throughout the democratic transition that became politically appealing to the electorate during the economic crisis. In particular, Frente Amplio organised its agenda of reforms in the labour market through close

dialogue with the national trade union's federation, PIT-CNT. This dialogue intensified in the years 2003 and 2004, when Frente Amplio and PIT-CNT discussed the implementation of policies to empower trade unions and to re-implement and enforce collective bargaining through Wage Councils. Consequently, during its first semester in government, Frente Amplio prioritised the re-implementation of Wage Councils after 24 years of its last call. Moreover, Frente Amplio organised the Tripartite Top Council (TTC) to convoke the first round of Wage Councils and to reorganise the classification of sectors and categories that appeared in the Wage Councils law of 1943. Thus, the TTC defined 20 sectors and 176 subsectors, that were increased to 189 sub-sectors in 2006 and 221 in 2008 (Mazzuchi, 2009). Likewise, Frente Amplio also improved wage policy institutional framework at rural (Tripartite Rural Superior Council) and public (Public Sector Bipartite Table) sectors. Additionally, Frente Amplio guaranteed a balanced tripartite composition of the TTC with six members from government, six business elites and six from trade unions. Accordingly, each of the members of the TTC had the right to call a meeting of the council to discuss any topic related to wage policy. Finally, despite the opposition of business elites, particularly from the Chamber of Commerce, the TTC set a two year period of negotiations starting in July 2005.

The TTC set the dynamics of the negotiation of Wage Councils through a formula that defined a base for discussion at sub-sector levels. Moreover, the initial formula included an adjustment based on past inflation, a projection of next years' inflation and an additional 2%-4% based on the economic projections of each sub-sector (Notaro, 2007; Mazzuchi, 2009). Likewise, the adjustment was applied to the minimum wage at the pay-scale of each sub-sector with the possibility to have increases over that rate for other occupational categories within the sub-sector. The initial formula was approved by the Ministry of Economy, that also had an interest in the consequences of wage increases due to the direct linkage between general wage index rises and pensions adjustments. Additionally, the formula also included the possibility to make corrections based on differences between real and projected inflation. On the other hand, in the round of negotiations from July 2006, nominal increases at sub-sector levels were in the range of 3.5%-5.5%, to be applied in the next three semesters (Notaro, 2007; Mazzuchi, 2009). Additionally, the process of negotiation through Wage Councils had a high level of agreement between the three actors. Accordingly, there was an average rate of 90% bipartite agreement between trade unions and business elites in the

2005-2007 and 2008-2009 rounds. In the cases when there was no agreement, the government had the deciding vote that could support either labour market interest groups. Finally, the level of workers covered by Wage Council negotiations reached close to 90% of all wage-paid workers. In that sense, the dynamics of Wage Councils were seen as functional and generally accepted, reaching the policy goals of Frente Amplio. As an interviewee (Interview #36) comments,

“all in all, Wage Councils worked very well, beyond expectations. (...) Not just the rate of agreement between all parties involved in negotiations at sub-sector levels but also the logic of using a formula provided by the Ministry of Economy”.

Another interviewee (Interview #54) also adds that, “you never expected to reach those levels of coverage (of collective bargaining). It (the implementation of Wage Councils) was a success”.

In an unprecedented decision, Frente Amplio also established the goal to extend collective bargaining to domestic workers. When Tabaré Vázquez assumed his first presidency in March 2005, he stated that, “our medium-term objective is to convene a Wage Council for domestic service in our country” (Inaugural presidential speech). Accordingly, Frente Amplio started to work on a new law, to establish a legal framework for domestic workers. Moreover, the Frente Amplio government drafted a new law that included a limit of eight hours per day and a weekly limit of 48 hours, with an intermediate break of half an hour paid. The draft also included the innovation of allowing domestic workers to have access to unemployment insurance and to collective bargaining through Wage Councils (article 6). Frente Amplio sent the draft to the Legislative in April 2006. Even though the legislative discussions pointed out the structural problems of domestic workers and employers’ representation to negotiate wages collectively, the law was approved in November 2006 containing the core of Frente Amplio’s draft. This outcome constituted a triumph for Frente Amplio but it was also considered a difficult challenge. As one interviewee (Interview #36) comments,

“the law approving the collective bargaining for domestic workers was a great achievement but also a difficult task. (...) Imagine, we had to find a representation of employers to negotiate wages in a sector that has not had the experience to negotiate.

(A sector) That has several problems of informality and (problems) to access to the place of work. Because you cannot go into a household without permission”.

Frente Amplio worked on the process of implementing collective bargaining in the domestic service sector in different stages. First, approving the law regulation in June 2007. Second, defining the representation for both employers and domestic workers. Even though domestic workers had a trade union, SUTD, they lacked the experience and resources to organise their agenda for collective bargaining. On the other hand, Frente Amplio spent one year in conversation with different organisations that could become employer representatives and finally the Housewives League accepted in June 2008. Third, Frente Amplio provided technical support to both parties, financing the legal assistance of the Universidad de la República for the negotiation process. Despite problems to find the tone to negotiate, both trade unions and employer representatives finished the first collective bargaining of the domestic service sector in Uruguay and Latin America on November 12th, 2008. According to the participants, the first process of collective bargaining was pivotal and provided the foundation for other processes in the domestic service sector that occurred in Uruguay during the 2010s (Interview #35, Interview #37, Interview #38). As one interviewee (Interview #37) points out, “It was tough (the collective bargaining for domestic service sector) but when we finished we knew it would continue. (...) Undoubtedly, the support the government gave to both parts through Universidad de la República legal advisory was very important”.

Parallel to the implementation of collective bargaining for domestic workers, Frente Amplio’s government sent the legislative two proposals to discuss a general collective bargaining law (October 2007) and a collective bargaining law for the public sector (February 2008). Frente Amplio’s original idea was to set up the institutional framework to support the TTC for all private workers and a Bipartite Council for public sector negotiations. As one interviewee (Interview #36) observes,

“the idea was to found a permanent institutional infrastructure for collective bargaining. (...) We knew that the law of Wage Councils could be activated or deactivated according to a government political orientation. (...) These new laws

created something different that allowed collective bargaining processes independently of the preferences of future governments”.

In doing that, Frente Amplio’s proposal established the structure of the TTC with its tripartite composition, with a similar participation of trade unions and employers (6 each) and 9 government representatives. Moreover, the proposal also set the TTC’s mandate to review sub-sector participation and the government’s minimum wage adjustments, as well as the TTC’s right to call for Wage Councils at any time. Frente Amplio’s proposal also defined the possibility of bipartite collective bargaining processes at sector, sub-sector and company levels, according to the preference and agreement of both trade unions and employers at those levels. On the other hand, the draft for the public sector’s collective bargaining established a Top Council for the public sector with 8 members from government and trade unions. The draft also defined the scope of public sector, including local governments and autonomous institutions/companies linked to central government. Consequently, both drafts established the boundaries and the institutional structure for private and public sector collective bargaining. Moreover, Frente Amplio considered it necessary to show its commitment to collective bargaining in the public sector as a way of supporting the law for the private sector. As an interviewee (Interview #54) notes, “we had to give an example in order to demonstrate our commitment with the idea of collective bargaining in general. Even though it could be very complicated when you negotiate at public sector”.

The discussion of both laws continued in the legislative with several debates with the opposition, particularly for the private collective bargaining law. Moreover, the opposition and business representatives focused their criticism on the mandatory negotiation that the TTC set through Wage Councils and the role of Frente Amplio’s government. As one respondent (Interview #44) observes, “negotiations should not be mandatory. It should have been open to both trade unions and employers to decide when and what would be part of the negotiation”. Another interviewee (Interview #31) adds that, “Collective bargaining is bipartite by definition. A law that allows governmental participation in the definition of wages between employers and workers is anything but a collective bargaining”. Another aspect was the clear impact that Frente Amplio’s legislative majority had in the final approval of both laws. In particular, Frente Amplio showed a clear position to advance with the original

drafting, even though the discussion process lasted almost two years in the case of the private collective bargaining law. As one Frente Amplio legislator (Interview #40) mentions,

“It was not an easy process. It took a long time. However, we were clear we had a coherent draft that both government and legislative Frente Amplio’s representatives agreed. We trusted each other and followed a due process, allowing everybody a possibility to express their points of view on the matter”.

On the other hand, opposition and business elite representatives point out their difficulties to introduce changes to the proposal. As one interviewee (Interview #45) notes,

“they did not allow any chance to listen to other points of view. They were clear about what they wanted. (...) Even though opposition legislators and business representatives we tried to argue, there was no point for it. They (Frente Amplio) were impenetrable”.

Despite a prolonged legislative debate, both drafts for collective bargaining were approved in June 2009 (public sector) and September 2009 (private sector).

Even though Frente Amplio focused its policy reforms on collective bargaining, minimum wages were also activated during Vázquez’s term. Moreover, the possibility to activate minimum wages was set in December 2004 when Batlle’s government eliminated the linkage between minimum wages and pensions. This decision was taken during the second semester of 2004, when the low levels of the national minimum wage in Uruguay were highlighted at the ILO’s conference during that year (Interview #29, Interview #51). As one policymaker (Interview #51) highlights,

“we had a minimum wage at the levels of very poor African countries. We had to change that. So, we decided to look at a formula to unlink pensions from the minimum wage and use other indicator to adjust pensions”.

Consequently, Colorado’s government increased the nominal minimum wage by 58% in December 2004. Despite this rise, the national minimum wage covered less than 4% of wage-paid workers (Furtado, 2006). Moreover, Frente Amplio focused the discussion on covering all wage-paid workers through Wage Councils that defined minimum wages rises at sector

levels. Considering the very low levels of the national minimum wage, Frente Amplio saw the complementarity of extending Wage Councils -negotiating the base of the pay-scale at sub-sector levels- and the activation of the national minimum wage as a reference for those workers not covered by Wage Councils. As a policymaker (Interview #36) explains,

“Wage Councils define minimum wages at sector and sub-sector levels that are much higher than the national minimum wage. We had active policies to increase the national minimum wage. However, we knew that the national minimum wage has a limited impact because it rises the wages of very low-paid workers that are not covered by collective bargaining at sub-sector level”.

Even though the national minimum wage experienced a real increase of 70% in 2005, and a total real rise of 153% from 2004 to 2010, its impact was focused on workers that had informal labour relationships, particularly in rural areas.

6.4.2. Active use of wage policies: analysis of wage policymaking during Tabaré Vázquez’s first government

As aforementioned, the implementation of wage policy reforms during Frente Amplio’s first government was facilitated by several elements. First, the previous economic crisis generated an imperative to implement active social and labour policies. Second, the commodity prices boom facilitated Uruguay’s GDP recovery, giving economic space to use active socioeconomic policies. Third, Frente Amplio’s experience as an opposition party throughout the first 20 years of the democratic transition developed its programmatic platform, very close to trade union agendas. However, once in power, the strong linkage coalition character of Frente Amplio allowed unprecedented changes. On the one hand, Frente Amplio innovated with the significant participation of trade union-linked officials in government, particularly in the Ministry of Labour. Moreover, the Uruguayan coalition continued with the high levels of trade union-linked representatives in the legislative. Both elements were decisive in the rapid re-implementation of Wage Councils through the TTC and the extension of collective bargaining to other sector and sub-sectors.

In particular, the idea of extending collective bargaining was part of the common agenda between Frente Amplio and PIT-CNT. Moreover, the strong linkage and the embedded

legislative majority also generated a dynamic of fast implementation of reforms that included new collective bargaining laws for the public sector and domestic workers. In particular, the task of including domestic workers in Wage Councils was seen as too ambitious and complicated in terms of creating an infrastructure of negotiations for a sector without experience and with structural problems to define representatives. The practical limitations of this task would have justified Frente Amplio if the coalition had decided not to continue extending collective bargaining to domestic workers with their more informal working conditions. Despite these problems, Frente Amplio was successful in finding both trade union and employer representatives, empowering them through independent advisory support that benefited the process of collective bargaining in the sector. On the other hand, the strong linkage of Frente Amplio and its embedded legislative majority allowed a cohesive discussion of reforms. Furthermore, Frente Amplio maintained the core of its reform proposals on wage policy throughout different legislative debates. In particular, this constancy permitted the creation of a permanent institutional infrastructure for the TTC through the 2009 collective bargaining law. The strong linkage of Frente Amplio did not just activate collective bargaining based on the ruling coalition preference but also created a permanent institutional infrastructure to continue with Wage Councils beyond the presence of Frente Amplio in government. Consequently, the relationship between Frente Amplio and trade unions tightened, protecting the left-wing coalition wage policymaking from the influence of business elites.

Finally, Frente Amplio's strong party linkage also privileged the active use of the national minimum wage. Moreover, due to the previous government changes in the formula that linked the national minimum wage with social benefits, Frente Amplio had enough space to increase the national minimum wage at rates without precedent in Uruguay. However, due to the low levels of the national minimum wage and the extension of Wage Councils to almost all formal workers, Frente Amplio privileged the increases of the bottom of the pay-scale at subsector levels. As a consequence, the national minimum wage was a reference for the small percentage of formal workers not covered by Wage Councils whilst collective bargaining defined the increases of the subsector minimum wages of almost all formal workers. In that sense, even though the policy orientation of Frente Amplio was to activate both the national minimum wage and collective bargaining, the latter had a pre-eminence over the former,

following trade union agenda preferences. Consequently, the combination of an embedded majority and the strong linkage of Frente Amplio to the trade union agenda allowed the active use and extension of both minimum wages and collective bargaining.

6.5. Restrictive use of wage policy with a not-embedded majority: Limited collective bargaining without reforms in 1995-2000, decreasing minimum wages in Uruguay

6.5.1. The evolution of wage policymaking during Julio Sanguinetti's second government (1995-2000)

Throughout the first 10 years of democratic transition, wage policy experienced different trends. On the one hand, the national minimum wage continued the pattern of reductions in real terms that started in the military regime and continued during the first two democratic governments. The decreasing trend of minimum wages was a result of the linkage between social security benefits and the national minimum wage level. Therefore, Uruguayan governments had incentives to reduce the national minimum wage in real terms in order to control social security fiscal expenditure. Thus, the national minimum wage decreased in real terms 36.2% during the dictatorship (1973-2005), 28.8% in the first Sanguinetti government (1985-1990) and 38.4% during Lacalle's (1990-1995) term. As a consequence, in a lapse of 22 years, the national minimum wage lost 70.8% of its real purchasing power.

On the other hand, collective bargaining experienced important changes in the same period. Accordingly, during the military regime collective bargaining was not implemented through Wage Councils and trade unions were banned. However, when the democratic transition started, the first Sanguinetti government reactivated Wage Councils, convoking 107 sub-sectors to negotiate wages (Interview #46, Interview #50). The Ministry of Labour installed an infrastructure of lawyers and advisors to support the negotiation processes. Even though reinstalling Wage Councils was difficult at the beginning, the commitment of both trade union and employer representatives played a role in facilitating collective bargaining (Interview #43, Interview #46, Interview #50). As one interviewee (Interview #50) notes,

“there were difficult negotiations in different sectors but the commitment of trade unions leaders was influential. If we needed a solution to a conflict, we called Pepe

(José) D'Elía (president of PIT-CNT at that time) and he would have solved it. (...) Trade unions and employers' leaderships were committed to a successful process because they saw it as a contribution to the democratisation process”.

Despite the success of the re-implementation process of the Wage Councils, the acceleration of inflation that rose from 72% in 1985 to 112% to 1990, generated macroeconomic instability at the end of Sanguinetti's first term. Therefore, when Partido Nacional came to power in March 1990, President Lacalle made the reduction of inflation his priority (Interview #49, Interview #55). Consequently, the process of negotiations through Wage Councils was cancelled from 1991. As one interviewee (Interview #49) observes,

“inflation was our first priority and we saw that the wage dynamics contributed to an increasing inflation. Besides, Wage Councils negotiations were eroded and they were generating more conflicts than agreements. (...) Our decision to suspend them (Wage Councils) facilitated a fast decrease of inflation”.

Another interviewee (Interview #55) also notes that, “I guess it (the deactivation of Wage Councils) was a good decision. Obviously, we also implemented other macroeconomic policies like fiscal adjustment. As a consequence, at the end of the (Lacalle) administration, inflation dropped to less than 50%”. Therefore, in a context of macroeconomic adjustment and fiscal austerity, Wage Councils were deactivated. Nonetheless, the existence of collective bargaining remained in important sectors like construction and banking, whilst some autonomous public companies had informal wage negotiation tables (Bogliaccini, 2012).

The process of implementing wage policies in Uruguay during the first democratic transition terms occurred in a political context where no government reached a majority in the legislative. Therefore, legal reforms in general were part of intensive negotiations inside the ruling coalition and with other parties. On the other hand, despite both Partido Nacional and Partido Colorado being the most voted parties, Frente Amplio constantly gained participation in the legislative and threatened both parties in the presidential elections (Luna, 2007). These two factors influenced the decision of President Sanguinetti to include Partido Nacional members as ministers during his second presidency (1995-2000). As one top politician in the second Sanguinetti government (Interview #43) comments,

“Blanco’s (Partido Nacional) ministers were there because we had to pact. Because then we did not have a (legislative) majority and we had to seek political agreements. And it was good that there were Blanco’s ministers as a way to have dialogue mechanisms. It was a party that helped the government but that at the same time was not the government”.

Consequently, Sanguinetti’s government included Partido Nacional politicians in different ministries, like the Ministry of Labour with Ana Lía Piñeyúa. However, Sanguinetti’s government’s decision was clearly not to reactivate collective bargaining through Wage Councils. As an interviewee (Interview #43) notes,

“Wage Councils were not called at that time because we felt that it was not the most effective policy. By the end of the first (Sanguinetti) government we had turned to black and white. And then Wage Councils were there to establish greys, not whites and blacks. (...). At the same time, fundamentally, our priority was to decrease inflation. (...). And the Wage Councils mechanism was not the best instrument for that”.

Despite its clear preference not to activate Wage Councils, Sanguinetti’s second government was concerned with the negative trends that real wages experienced in the 1990s. In fact, his predecessor, president Lacalle called a “National Dialogue” between trade unions and employer organisations in order to find informal formulas to impede real wage decreases (Bogliaccini, 2012). Even though this formula did not arrive to any agreement, it at least articulated dialogue between trade unions and employers in order to discuss possible alternatives for wage policies. Consequently, Sanguinetti’s government convoked a similar mechanism called negotiating tables in 1996, with participation of trade union and business representatives and the premise of drafting a new law proposal to regulate collective bargaining and replace Wage Councils law. As a top official (Interview #53) comments,

“There was no insistent demand from trade unions to return to Wage Councils. That is the truth. Nobody talked about reinstating Wage Councils. We thought that the best thing was to not touch that and start negotiating from scratch with a framework law,

respecting the concept of autonomy of the parties and setting a negotiating framework. If that bill was approved, it should have been a rule repealing the previous law”.

In spite of these government premises, both trade unions and business elites had clear positions that were part of the previous “National Dialogue” (Bogliaccini, 2012). On the one hand, business elites did not want to continue with the negotiations at sector and sub-sector levels, favouring voluntary negotiations at firm level. On the other hand, trade unions wanted a multisectoral collective bargaining similar to Wage Councils. However, during the negotiating tables there were some agreements on the possibility to have different levels of collective bargaining at sector, sub-sector and firm levels. Notwithstanding, there was also a sense in the government that other elements polarised even more trade unions and employers’ positions, resulting in the failure of the governmental effort when the process finished in 1997. As a top Ministry of Labour official (Interview #53) observes,

“We had a serious problem. And it was that the business sector did not want collective bargaining. (...) For political reasons, it was difficult for trade unions to accept (an agreement on collective bargaining). It is a trade union (PIT-CNT) whose leadership is *frenteamplista*. Giving a government that was not Frente Amplio the success of reaching a tripartite agreement in collective bargaining, was complicated for them. The failure was due to that more than anything”.

Even though the initiative to facilitate a discussion on a new collective bargaining proposal between trade unions and employers failed, Sanguinetti’s second government could have sent a draft of a new law for legislative discussion. In particular, the possibility of a new law following the government’s premises -to reform the Wage Councils law and allowing a voluntary negotiation process at different levels- was facilitated by the existence of a pact between Partido Colorado and Partido Nacional. In that sense, beyond the failure of the negotiating tables, Sanguinetti’s government had a clear option for advancing with its premises for a law. Moreover, Sanguinetti was personally involved in the development of

negotiating tables (Interview #43, Interview #53). However, the government's final decision was to not innovate with a new collective bargaining law taking into account the importance of an agreement between trade unions and business elites. As the top Ministry of Labour (Interview #53) official observes,

“we waited to have an agreement between both parties. We believed in tripartism. (...) and without an agreement, even though we had legislative majority, we decided to not send a proposal (to the legislative). (...) But today I think I would have sent a (law) proposal without agreement. Now I think we should have profited from our legislative advantage. (...) It happened (at that time) with the social security reform where there was no agreement between interests' groups but we sent a proposal that was approved”.

Consequently, even though the legislative majority could have facilitated the implementation of a new collective bargaining law during Sanguinetti's second term as happened with the social security reform, the focus on legitimisation from business elites and trade unions seems to have been much more important than the government premises.

On the other hand, there were no national minimum wage initiatives in Sanguinetti's second term. Furthermore, the government continued with the same approach of reducing the national minimum wage in real terms due to fiscal priorities. Additionally, the policy approach to the national minimum wage was also linked to the low levels that the minimum wage reached during the democratic transition. As a top government official (Interview #43) notes,

“The minimum wage at that time had disappeared as a value. Nobody earned the minimum wage. It had stopped being a real factor. Wages were all above (the minimum wage). (...). It had ceased to be a basic instrument of social cohesion. We aspired to beat inflation”.

Consequently, the national minimum wage dropped 2.4% in real terms during Sanguinetti's second term, in a context of a decreasing inflation that reached 5% in 2000.

6.5.2. Restrictive use of wage policy with a not-embedded majority: analysis of wage policymaking during Julio Sanguinetti second government

The wage policymaking of the second Julio Sanguinetti government continued with the 1990s trend of a decreasing national minimum wage and a decision not to activate Wage Councils. Even though the macroeconomic conditions of high inflation limited the use of active wage policy since Lacalle's government, there were various elements that could have triggered the re-implementation of collective bargaining through Wage Councils. On the one hand, during his first presidency (1985-1990) Sanguinetti re-implemented Wage Councils. Therefore, the possibility of re-instating Wage Councils had a symbolic component for Sanguinetti. On the other hand, the pact with Partido Nacional allowed Partido Colorado to eventually reach a legislative majority that was displayed during the pensions reform that the second Sanguinetti's government implemented. Finally, the reimplementation of Wage Councils could have been used as a mechanism to confront the pro-worker discourse that Frente Amplio used to gain space in the electorate. However, the weak/no party linkage of Partido Colorado privileged the anti-inflationary goal and did not re-activate Wage Councils.

The idea of replacing Wage Councils was the trigger of the initiative to generate a collective bargaining reform. Thus, Sanguinetti's government's call for the negotiating table between trade unions and business was a strategic approach to legitimise a collective bargaining reform that would have changed the mandatory, multisectoral structure of Wage Councils. However, the failure to reach an agreement between trade unions and business elites left Partido Colorado in a dichotomy. On the one hand, it was very likely that a Partido Colorado proposal to reform collective bargaining would have been approved due to the pact with Partido Nacional and the common interest to change Wage Councils. On the other hand, this option would have been seen as a pro-business decision that would have broken the relationship with trade unions and boosted Frente Amplio's political discourse. Consequently, the option of not sending a collective bargaining reform proposal to the legislative and of continuing to deactivate Wage Councils seems to have been the less conflictive option for Sanguinetti's government. Finally, due to the process of the constant decreasing of the national minimum wage in real terms, this wage policy lacked relevance and visibility. Furthermore, the reduction of the national minimum wage's purchasing power benefited Sanguinetti's government as it contained the fiscal impact of social benefits. Therefore, the decision of Sanguinetti's second government to continue with the policy of decreasing real minimum wages followed a path dependence observed since the military regime. As a

consequence, the case of the second Sanguinetti government in Uruguay shows that the combination of a weak/no linkage coalition with a not-embedded majority clearly resulted in the restrictive use of both wage policies.

6.6. Joint analysis of cases using the typology for wage policymaking

The discussion of the four cases abovementioned brings several elements to the understanding of the value of the variables party linkage and legislative participation to explain wage policymaking. Consequently, to contextualise the four cases using the analytical framework of section 6.1., I use table 6.2. that is organised with the combination of the party character and the legislative representativity of the coalition, followed by the wage policy outcomes and the strategy that each coalition used for wage policymaking.

Table 6.2. Description of policy outcomes and strategies based on the linkage to trade unions agenda and legislative representation of the coalition

Case study	Party linkage and legislative participation of the coalition/party	Wage policies policymaking outcome	Strategy
Limited collective bargaining extension with legislative minority: Collective Bargaining reform in 1995-1997 (plus discussion in 1999) and minimum wage triannual law (1998) in Chile.	Soft linkage and legislative minority.	Low collective bargaining coverage without law reform. High increases of minimum wages in real terms.	Contain and compensate: economic imperative and legislative minority used to justify failure to implement collective bargaining reform. Trade unions compensated through active minimum wages law.
Limited collective bargaining extension with not embedded majority: Ethical wage commission in 2007-2008 and the minimum wage for domestic workers law (2008) in Chile.	Soft linkage and not embedded legislative majority.	Low collective bargaining coverage without law proposal. High increases of minimum wages in real terms for domestic workers.	Avoid and compensate: social policies priorities used to avoid legislative discussion of collective bargaining. Extension of minimum wages focused on domestic workers as a compensation.
Active use of wage policies: Collective Bargaining reforms and new laws in Uruguay.	Strong linkage and embedded legislative majority.	Expansion of collective bargaining. New laws to enforce TTC and extend collective bargaining to informal workers. High real increase of national minimum wage.	Expand and enforce: fast expansion of Wage Councils and reforms to enforce collective bargaining. Extension of collective bargaining to domestic workers. Active use of minimum wages but as a residual policy.
Restrictive use of wage policies with not embedded majority: Limited collective bargaining without reforms in 1995-2000, decreasing minimum wages in Uruguay.	Weak or no linkage and not embedded legislative majority.	Limited collective bargaining. Wage Councils are deactivated. Minimum wages continue losing purchase power in real terms.	Disengagement and reduction: unsuccessful intention to reform Wage Councils law with a more pro-business proposal. Decision not to discuss a legislative proposal linked to previous experience of Partido Colorado during the first Sanguinetti government. Reductive approach to minimum wages used to contain social benefits.

As table 6.2. shows, the cases of Concertación, without embedded legislative majority (first Bachelet government) and legislative minority (Frei's term), show the same outcome despite pursuing different strategies, highlighting the importance of Concertación's soft linkage to the trade union agenda. In both cases, collective bargaining coverage remained low whilst minimum wages experienced high increases at national (Frei) or sector (Bachelet) level. In addition, Concertación's soft linkage to the trade union agenda impeded the implementation of collective bargaining reforms (Frei) or the discussion of a legislative reform (Bachelet). The failure to activate collective bargaining in Chile during both periods triggered a compensational wage policy, activating minimum wages. However, the strategies that both governments used were different. In the case of Frei's government, even though there was

an explicit commitment to discussing a collective bargaining reform, the economic imperative discourse limited the support in the senate to approve a proposal. On the other hand, the first Bachelet government prioritised social policy reforms that implicitly enforced the idea of Concertación's preference for social policy instead of wage policy, that lies within the economic imperative of no intervention in the labour market. Therefore, the inability of the commission created by Bachelet to propose a collective bargaining reform facilitated the reluctance to legislate on collective bargaining in a context of a legislative majority. Finally, both cases show that the variations of legislative participation did not change the wage policy preferences of a soft linkage coalition.

The Uruguayan cases show very contrasting performances of wage policymaking. These differences are related to the different linkage to the trade union agendas of the Uruguayan ruling coalitions. On the one hand, the case of Tabaré Vázquez's first government is a good example of the impact on active wage policy of a coalition with strong linkages to trade union agendas. Moreover, the wage policy preference of Frente Amplio was implemented rapidly and beyond expectations due to the embedded legislative majority. Thus, during the first Frente Amplio term collective bargaining was expanded to almost all formal workers, including workers with informal conditions such as domestic workers. Furthermore, the Uruguayan left-wing coalition enforced the institutional framework of collective bargaining with several laws approved during that period. At the same time, the national minimum wage experienced significant increases in real terms. However, this policy was complementary to the main goal of activating minimum wages at sector and sub-sector levels. As a result, wage policy increased average wages in Uruguay and experienced an expansion without precedent in the country. Even more, the active use of wage policy did not have the deterrence of an economic growth imperative.

Conversely, the case of the second Sanguinetti government shows that a party with weak/no linkage with trade union agendas has a preference for a restrictive use of wage policies. Furthermore, the weak/no linkage character of Sanguinetti's government used the economic imperative -linked to a decreasing inflation target- for containing wages. Accordingly, Sanguinetti's government did not convoke Wage Councils and continued with the policy of reducing minimum wages in real terms. Additionally, Partido Colorado intended to build a proposal with business elites and trade unions to replace Wage Councils with a more pro-

business law for collective bargaining. Therefore, Sanguinetti's government had a strategy characterised by its disengagement from Wage Councils and its clear focus to reduce both minimum wages and collective bargaining.

The analytical framework to study wage policymaking allows the possibility of classifying all post-military-regime governments in Uruguay and Chile based on their party linkage and legislative participation. As table 6.3. shows, independently of their legislative participation, ruling coalitions/parties with weak or no linkage with trade unions had restrictive use of both collective bargaining and minimum wages. Accordingly, right-wing coalitions in Chile and traditional parties in Uruguay had a passive use of wage policies, expressing their preference to the agendas of business elites and the strengthening of the economic growth imperative in their general socioeconomic policymaking. On the other hand, soft linkage coalitions in Chile (Concertación and Nueva Mayoría) also showed their preference for active minimum wages instead of active collective bargaining policies. This wage policy preference remained similar despite different scenarios of legislative participation. As a consequence, these coalitions defined different strategies that allowed a continuous growth of the national minimum wage but with major gains in collective bargaining coverage. Finally, all Frente Amplio governments used active wage policy due to their strong linkage to the trade union agenda and their embedded legislative majority. In these cases, the extension of wage policies shows the preference that Frente Amplio had for expanding minimum wages and collective bargaining in particular, whilst the legislative majority allowed a faster and ambitious wage policy implementation. In that sense, Frente Amplio government's wage policy preference allowed the extension of collective bargaining to traditionally informal workers such as domestic and rural workers.

Table 6.3. Governments classification using linkage to trade unions agenda and legislative participation of the coalition a/

Party linkage/Legislative participation of the coalition	No legislative majority	Not embedded legislative majority	Embedded legislative majority
Weak or no linkage	Restrictive use of both wage policies: Lacalle (Uruguay, 1990-1995); Piñera I (Chile, 2010-2014)	Restrictive use of both wage policies: Sanguinetti II (Uruguay, 1995-2000) ; Batlle (Uruguay, 2000-2005)	Unlikely scenario
Soft linkage	Limited collective bargaining extension: Aylwin (Chile, 1990-1994); Frei (Chile, 1994-2000) ; Lagos (Chile, 2000-2006)	Limited collective bargaining extension: Bachelet I (Chile, 2006-2010) ; Bachelet II (Chile, 2014-2018)	Undefined outcome
Strong linkage	Efforts to activate both policies	Efforts to activate both policies (higher likelihood)	Active use of wage policies: Tabaré Vázquez I (Uruguay, 2005-2010) ; José Mujica (Uruguay, 2010-2015)

a/ Sanguinetti I (Uruguay, 1985-1990) cannot be classified because it re-implemented Wage Councils (extension of collective bargaining) as part of the democratic transition agreements.

Chapter 7. Conclusions

The question of welfare in democracy is linked to how political processes can allow the expansion of socioeconomic policies and how these changes reflect processes of path departure from LMEs socioeconomic structures. In answering this question, this dissertation explored the case of wage policymaking in Chile and Uruguay. In that sense, the answer provided by this dissertation was that the embeddedness of constituents in the policymaking of socioeconomic policies is fundamental to reflect their agenda in a ruling coalition. In the specific case of wage policy, when constituents like trade unions are embedded in the policymaking in a context of a legislative majority, their participation in the ruling coalition's government and legislative branches facilitate the implementation of their agenda, resulting in the expansion of wage policy.

7.1. Specific conclusions

This research contributes valuable inputs to the analysis of wage policy-making in Latin America. On the one hand, the selection of wage policies as an object of study is in itself an important contribution, showing the relevance of going beyond a parcelled discussion that differentiates minimum wages or collective bargaining. On the other hand, this study also shows the importance of having a political economy approach for wage policymaking. Moreover, the connection of minimum wages and collective bargaining goes beyond technical purposes associated with specific policy targets, such as poverty reduction and income distribution improvements. As the analysis of wage policies in Chile and Uruguay shows, both minimum wages and collective bargaining policies are linked to government coalitions' preferences that explain why they can be used passively, actively or in a combination that reflects a compensatory approach.

The discussion on wage policies highlights other dimensions that have not been properly addressed in the current literature on social policies in Latin America. My comparative analysis of Chile and Uruguay highlights the importance of the participation of trade unions in left-wing or centre-left wing coalitions to characterise the coalitions linkage to their constituency agenda. In particular, this is important because the party linkage is expressed in three spheres that shape the active use of wage policies. Aspects such as the influence of parties that are also open to the agendas of business and the existence of internal veto actors

are elements that express the party character. Furthermore, the presence of trade unions in the coalition governments and legislative branches is a clearer expression of the linkage of the coalition to the trade union agenda. Consequently, when the participation of trade unions in the coalition is higher, it is more likely that the left-wing or centre-left wing coalition will expand wage policies. On the contrary, when the trade union participation in these coalitions is lower, a less expansive use of wage policies is more likely. In that sense, the participation of trade unions is a more robust expression of the intensity of the linkage of the coalition to trade union agendas.

Secondly, I provide examples of the relevance of the legislative participation variable. As the cases of Uruguay and Chile show, the party linkage determines the willingness to overcome a legislative minority or use a legislative majority to introduce wage policy reforms. In that sense, the legislative participation variable is a necessary but not sufficient condition to introduce wage policy reforms. Additionally, the party linkage variable defines the instrumentalisation of the legislative participation variable to shape the relationship with trade unions and business elites. In that sense, when the coalition's linkage with trade unions is stronger and the coalition has an embedded legislative majority it certainly extends wage policies. On the contrary, when the coalition's linkage is softer, the coalition instrumentalises the use of the legislative participation variable in order to contain trade union demands and improve its relationship with business elites. As a consequence, minimum wages are more active whilst collective bargaining reforms are limited.

The previous discussions likewise highlight the influence of other contextual variables on wage policy-making. Furthermore, these contextual variables such as the type of democratic transition, the existence of an economic growth imperative and the availability of other policies to target poverty reduction and redistributive goals also influence the active use of wage policies as part of the institutional legacies. These elements influence the possibility of having a legislative majority, the use of an economic growth imperative discourse by the ruling coalition and the preference of these coalitions for social policies vis-à-vis wage policies. Accordingly, the party linkage of the ruling coalition defines the use of the economic growth imperative to limit/allow the implementation of collective bargaining reforms and to determine the level of complementarity between social and wage policies. Additionally, the party linkage also determines the strategic ability to overcome legislative obstacles caused by

a difficult democratic transition. On the other hand, the embeddedness of trade unions in the legislative coalition's participation permits that the need for economic growth and the use of social policies not be seen as exclusionary but as a complement to the activation of wage policies. Consequently, both the party linkage of the coalition and the embedded legislative majority have a preeminent influence on wage policy-making.

The model I propose provides valuable insights for studying wage policy-making. On the one hand, the case of Frente Amplio in Uruguay highlights that the existence of a ruling coalition with strong linkages to trade union agendas has a clear preference for expanding minimum wages and collective bargaining. In particular, due to the historical relevance of Wage Councils, sectoral collective bargaining was the more important policy for Frente Amplio whilst the national minimum wage served to include those formal workers not covered by collective agreements. Beyond that preference, both collective bargaining and the national minimum wage were actively used and expanded throughout the Frente Amplio governments. The possibility of introducing collective bargaining reforms for the public sector, rural and domestic workers was feasible due to the existence of an embedded legislative majority. The embedded nature of its legislative majority facilitated a fast implementation of collective bargaining reform, creating a more permanent institutional framework. In that sense, the case of Frente Amplio brings a good example of how the wage policy preference of a ruling coalition with strong linkages to trade unions is actually reflected in the expansion of minimum wages and collective bargaining. The case of Frente Amplio also supports the importance of an embedded legislative majority to guarantee and facilitate the implementation of the wage policy preference of a ruling coalition linked to the trade union agenda. In addition, the case of Frente Amplio in Uruguay during the democratic transition highlights the lower impact of the economic growth imperative in the narrative and wage policy design/implementation of a ruling coalition with a strong linkage to trade unions and how important it is for these coalition to have a complementary approach for using both social policy and wage policy.

On the other hand, the case of Concertación in Chile likewise provides evidence to support the idea that ruling coalitions/parties with a soft linkage to trade union agendas have a preference towards minimum wages instead of collective bargaining. Even though the Chilean coalition had a different legislative participation, with periods of legislative minority or not-

embedded legislative majority, the outcomes were similar: active use of minimum wages and passive collective bargaining. In the case of Concertación, the soft linkage was expressed both in the lower participation of trade unions in the Concertación legislative and government branches, as well as in the importance of pro-business officials and parties that counterbalanced trade union demands. In that sense, independently of the difficulties of the democratic transition, the Chilean coalition navigated through the post dictatorial period in order to balance its internal demands for wage policies, generating a compensational approach towards minimum wages in order to maintain the structure of collective bargaining. In addition, the importance of an economic growth imperative narrative permeated both government and legislative officials, deterring the implementation of collective bargaining reforms. Moreover, the importance of the economic growth imperative also generated Concertación's preference towards social policy instead of wage policy.

7.2. Some lessons connected to industrial relations and socioeconomic reforms in Latin America

As is discussed, the use of Grimshaw et al.'s (2014) typologies could also be applied for a better understanding of wage policies in Latin American countries with high levels of formal employment and institutionalised industrial relations frameworks, similar to Uruguay and Chile. However, the experience of both countries highlights the existence of changes from one wage policies connection to another, a dynamic that has not been addressed in the literature. The cases of Chile and Uruguay also illustrate how important political process is for understanding wage policy changes, particularly in the context of a democratisation process.

In addition, this research also provides evidence that connects wage policymaking to a more general framework linked to the typology of VoC. In that sense, the idea that wage policies are connected to a LME or CME structure, generating path dependence or the need of a path departure in the political arena is also observed in both countries. Accordingly, Chile's representation as the more radical Latin American example of an LME socioeconomic structure is implicit in the strength of the path dependence of wage policies in the country since the return to democracy. On the other hand, Uruguay with Frente Amplio exemplifies a political transition from LME to CME-like policies, expressed in the expansion of wage policies throughout Frente Amplio's governments. In that sense, the political processes in democracy

generated the possibility of path dependence of LMEs-type reforms in Chile and of path departure in Uruguay, stressing the importance of the connection among ruling coalitions and pro-CMEs policies constituencies like trade unions. Likewise, the possibility of a path departure is also related to the inclusion of trade unions in both government and legislative representation. Moreover, the conditions related to the type of democratic transition, institutional legacies, party linkage and legislative participation facilitate (Uruguay) or limit (Chile) the possibilities for such reversing processes.

This study also shows that the cases of wage policy implementation in Chile and Uruguay have similar explanatory narratives to other models for understanding policymaking processes in Latin America. As the Uruguayan case exemplifies, changes towards expanded and better coordinated wage policy occur during the democratic transition, ruling coalitions/parties are linked to trade union agendas and the ruling coalition/party has an embedded legislative that allows a fast and less negotiated implementation of wage policy reforms. On the contrary, the Chilean case highlights that in a difficult democratic transition with a not-embedded legislative majority or legislative minority, coalitions/parties with a soft linkage to trade union agendas are less willing to intervene in labour markets through collective bargaining reforms. In that sense, this study also provides important evidence that supports the existence of a causal connection between political variables and the policymaking of socioeconomic policies in general and wage policies in particular. The idea of the universalisation/expansion of different types of socioeconomic policies in Latin America is linked to the political characteristics of ruling coalitions and their linkage to their constituency, the existence of legislative muscle to introduce reforms and institutional legacies.

This study supports the existence of alliances between formal (insiders) and informal (outsiders) workers for the expansion of wage policies. In particular, the case of Frente Amplio in Uruguay highlights that the strong linkage between ruling coalitions go beyond formal workers organised in trade unions but to all workers, formal and informal. In that sense, even though the participation of trade unions in the Uruguayan coalition was key for the expansion of wage policy, trade unions agenda to expand collective bargaining was extended to more informal workers like rural and domestic workers. In that sense, the commitment of Frente Amplio to create an infrastructure for domestic workers collective bargaining shows the relevance of alliances between insiders and outsiders for strong linkage coalitions.

7.3. Possible use of the model for analysing other Latin American countries wage policies policymaking

Although the analytical framework for the implementation of this model is focused on two countries in the region that are among those with the highest formal employment and with a solid institutional structure, the possibility of extending this model to other Latin American countries depends on considering various factors. On the one hand, although there have been advances regarding the formalization of employment, informal employment continues to be the majority in many countries of the region (ILO, 2018a; ILO, 2019b). On the other hand, formal employment is concentrated in small and medium enterprises, where it is more difficult to organize unions or effectively implement minimum wage policies without adequate institutional framework (ILO, 2018a). Along with these structural limitations, there are several schemes for the functioning of the trade union organization, which work mainly in large companies of key economic sectors or in the public sector. In turn, the trade union organisation depends on the ability of countries to establish collective bargaining at the level of productive unit or branch of activity. Finally, there are political aspects linked to the type of relationship that exists between political parties and unions, and the effect that the implementation of reforms has on the functioning of the trade union movement.

Beyond the structural elements linked to the level of informality of employment and the limitations for trade union organization in small and medium enterprises, what can be seen in the relationship between unions and political parties with a closer linkage with workers is that this relationship has gone through several stages of greater or lesser proximity. On the one hand, many of these parties have been changing their own dynamics (such as PRI in Mexico or PJ in Argentina) in accordance with the public policy approach that can change from a liberal vision that limits the trade union movement to a close to trade unions' agenda approach. In that sense, the same coalition can be considered having a strong-linkage or to have a weak-linkage to trade unions in different periods. Thus, cases like the PJ in Argentina with Menem (weak-linkage) or the Kirchner marriage (strong-linkage) show the differentiated disposition of the governments of the same party to implement a pro-union wage policy agenda.

On the other hand, the possibility of reaching a legislative majority has been a limitation in the region. In many countries, such as Ecuador until the coming to power of Rafael Correa, it was very difficult to establish stable legislative majorities, so the socio-economic reforms were marked by the possibility of reversals. This dynamic changed during the government of Alianza País, which reached legislative majorities that allowed the introduction of several pro-workers labour reforms. Finally, the linkage between governments and unions can be nominally strong but difficult in practice. In particular, this can happen when governments are the main employer (compared to even private employers) that has to bargain collectively with public unions, as was the case in Ecuador and Venezuela. Therefore, in those cases, the relationship that on paper seems like a strong-linkage can be soft or weak linkage if governments feel that the strength of the union movement can hinder their governance. Therefore, what was observed in both cases was the implementation of active minimum wage policies without policies to actively promote collective bargaining. These governments even formed parallel union federations that served as a way for by-passing previously formed national trade union federations.

Along with these variables, future research should focus on the participation of unions in both governments and the legislature. As has been argued in this research, one factor that influenced the differentiation between the wage policies of Chile and Uruguay was the greater participation of trade union-linked legislators and government officials in Frente Amplio. Consequently, future research on the policymaking of wage policies in other Latin American countries should consider the availability (or not) of a legislative majority but also the composition of parties / coalitions in power in both government and legal branches. In that sense, Latin American countries that experienced active minimum wage policies and stagnated levels of collective bargaining could be analysed including participation of union-linked officials, that theoretically should be low. In other countries that experienced increases in both minimum wages and collective bargaining coverage, like in the case of Brazil in the 2000s and early 2010s with PT governments, these trends could possibly be explained through the comparatively higher participation of trade union-linked legislators and government officials.

7.4. Alternative explanations of wage policies policymaking

Even though the discussion of this thesis has been focused on the political economy variables and their impact in the policymaking of wage policies, there are also other alternative explanations that could be part of the broader discussion of the policymaking of socioeconomic and wage policies. For example, one alternative explanation could be that the type of transition could have shaped the power and organisation of business. Consequently, the strength of the power resources, particularly of business elites, could have shaped the pattern of wage policies policymaking. In addition, another alternative explanation could be that the global commodity boom just increases overall revenue and economic well-being, triggering a process for expanding wage policies.

In the case of the former alternative explanation, the democratic transition coincided with the implementation of liberal reforms that generated a dramatic change of the balance of power between business elites and trade unions. As it is discussed in this research and others (Fairfield, 2015), the power resources that business elites had in Chile were strengthened by the implementation of pro-business reforms during the military regime. The continuity of several of these policies during the democratisation process exposed, on the one hand, the limited capacity of Concertación governments to introduce collective bargaining and tax reforms. On the other hand, it also showed business elites capability to influence socioeconomic politics, particularly collective bargaining and tax policies. In that sense, the successful business elite's policy agenda during the democratisation process in Chile could be seen as a mirror to the decreasing power resources that trade union had during the democratisation process. In the case of Uruguay, business elites benefited from the implementation of liberal reforms in the 1980s and 1990s and increased their power resources. As a result, collective bargaining coverage had a decreasing trend until the arrival of Frente Amplio. However, the Uruguayan business elites were less cohesive in its internal organisation compared to Chilean business elites. Moreover, Uruguayan business elites have not had the ability to establish a more fluid relationship with Frente Amplio, something that business elites in Chile achieved with Concertación governments, particularly in the 2000s.

The latter alternative explanation addresses the importance of the economic boom for implementing more active socioeconomic policies in order extend coverage, particularly for more vulnerable households and workers. The idea that the global commodity boom triggered an expansive policy approach is based on the relationship between socioeconomic

and the economic cycle. Accordingly, before the global commodity boom, the economic recessions observed particularly in South America resulted in the reduction of the expenditure and coverage of socioeconomic policies. Moreover, the same trend of contractive socioeconomic policies has been recently seen in some countries that benefited from the commodity boom but experienced economic contractions since mid-2010s. In that sense, the idea that beyond the political elements that explain the changes in policy orientation, the driver of the final orientation of socioeconomic policies is based on the health of the economy and the fiscal space for policy implementation. Consequently, the policy changes experienced throughout the last decades are more linked to the economic cycle. Therefore, what happened with socioeconomic policies -and wage policies in particular- during the commodity boom in Latin America was a consequence of the length (a decade) of economic growth that brought economic stability and fiscal space for active socioeconomic policies.

Despite these alternative explanations are valid to argue that other elements have to be considered, the focus of this research and its results provide arguments for generating a dialogue over the wage policies policymaking outcomes. Moreover, similar to the argument that business power was shaped by the transition, trade unions power was also impacted by the same process. This research highlights the relationship between trade unions and governments, using not just the linkage between both but also providing evidence that this linkage is closer when trade unions participate in the legislative and government branches of the governing coalition/party. This evidence seems to be more straightforward for explaining, for example, changes in the wage policies with the arrival of Frente Amplio to power in Uruguay. Furthermore, business elites in Uruguay augmented their power in the 1990s and first half of the 2000s as the collective bargaining levels decreased. The strong linkage between PIT-CNT and Frente Amplio, particularly the important participation of trade unions in Frente Amplio governments and legislative branches, functioned as a dynamic that protected Frente Amplio from any business elites influence in the wage policymaking. On the other hand, the argument that business cycles are a key condition for explaining changes in socioeconomic policies did not consider the political processes that triggered changes or permanence of wage policies. In the case of Chile, for example, minimum wages were actively used whilst collective bargaining remained in low levels of coverage with independence of

the economic cycle. Moreover, minimum wages were actively used during the contractive part of the economic cycle at the end of the 1990s and 2000s.

7.5. Contributions, possibilities and limitations of using the model to analyse wage policies in Latin America

The data, discussion and analysis of wage policymaking in Uruguay and Chile provides different aspects of important contributions. From a broader perspective, this study shows the importance of constituents' participation in the policymaking of socioeconomic policy in Latin America. In particular, the embeddedness of constituents, either in the government or legislative branches of ruling coalitions, facilitates the inclusion of constituents' agendas in the policymaking. The discussions on the linkage between coalitions/parties and constituency have previously not pointed out how the direct participation of constituents in the legislative and government branches of a ruling coalition/party is key to implementing constituents' agendas. The analysis of wage policymaking in Chile and Uruguay provides data and theoretical inputs that support the idea of including the direct participation of constituents in the ruling coalition/party as a key indicator of the level of commitment of governments to constituents' agendas.

In addition, this study also offers a more detailed description of how the linkage between government and constituency is built, either in the internal structure of government or in the legislative branches of the ruling coalition, the importance of the EGI for policymaking and how the EGI also shapes the preference or complementarity between social policy and wage policy. This work also contributes to the industrial relations literature. In particular, this study offers a political economy approach for a better understanding of the connections, preferences and timing for the use of minimum wages and collective bargaining over time.

Another more general contribution of this research is the explicit connection between democratic transitions and liberal reforms in the way governments tend to use the economic growth imperative as an explicit narrative to limit or enforce key socioeconomic policy. As is discussed throughout this research, the connection between pro-market reforms and the socioeconomic outcomes define the possibility of path dependence and path departure. In particular, the Chilean case shows that an ethos of successful pro-market economic reforms tends to reinforce the path dependence that protects major intervention in the

socioeconomic structure, particularly in the labour market. On the contrary, the Uruguayan experience under Frente Amplio highlights that socioeconomic crisis linked with pro-market policies trigger both the higher possibility of a path departure and the legitimisation of the expansion of socioeconomic policies that corresponds more to a CME model. As a consequence of a differentiated influence of the economic growth imperative, governments also tend to have dissimilar uses and preferences towards social policy and wage policy. This is particularly important because it highlights the relevance of enhancing the discussion of the interaction and possible crowding-in or crowding-out between wage policy and social policy, with consequences for both poverty reduction and income distribution.

This study also provides data and insight on what the conditions are for the inclusion of informal workers in the expansion of socioeconomic policies. The case of Uruguay under Frente Amplio brings important evidence to the theoretical debate on alliances between formal and informal workers in order to expand socioeconomic policies. In that sense, the creation of legal reforms and institutional infrastructure to allow collective bargaining for domestic workers was not just innovative but foundational in Uruguay and in Latin America. This discussion also offers many possibilities for future research for the policymaking of labour policies of informal workers in Latin America, considering the influence of both ruling coalitions linkages and the existence of embedded legislative majorities.

The discussion on wage policies in Chile and Uruguay offers a valuable framework for future research. It shows the possibilities for analysing wage policies that the recent industrial relations perspective brings for the debate of public policies. In particular, the idea of using the political economy model of this study could bring new possibilities to understand changes or continuity in the connections between wage policies and collective bargaining in other countries, in Latin America or beyond this region. This work also offers an interesting object of study for Latin American wage policymaking despite many limitations in the structure of labour markets. First, Latin America is a region with half of its employment in the informal economy (ILO, 2018b). Therefore, the conditions for using both minimum wages and collective bargaining policies are limited to formal workers, who generally work in SMEs. Second, the larger employer of formal workers in many countries is the state. As a consequence, independently of their political preference, many governments in the region have incentives for not promoting collective bargaining. Despite these limitations, this study

provides inputs for new research that could explore the impact of wage policies of the linkages between ruling coalitions and trade unions, the existence of legislative majorities and the embeddedness of trade unions in governments.

Annex I: Interviews questionnaire

1. Do you think that the dictatorship/authoritarian legacies played a role in shaping labour relations –specifically in minimum wages and collective bargaining- during the democratic transition? For example, in impeding collective bargaining reforms (Chile) or deactivating Consejo de Salarios (Uruguay)?
2. How did these auth/dem “legacies” –Plan Laboral or Consejos de Salarios- have an impact on the role/position of political parties? How did this influence the subsequent agenda of (Concertación/Frente Amplio) on wage policies?
3. How did these legacies change the role/importance/relevance of labour and business actors? If so, how?
4. To what extent do you think economic growth imperatives influenced wage policy-making? Do you think that these imperatives connected to institutional legacies?
5.
 - a) To what extent do you think the institutional legacy (Plan Laboral/Consejos de Salarios) has been part of the debate of wage policy-making?
 - b) And how has it influenced collective bargaining-minimum wage implementation?
6.
 - a) How has having or not having a majority in the legislative influenced the wage policy-making of Concertación /Frente Amplio?
 - b) How did this majority (or lack of) influence the relationship with trade unions and business elites?
7. How has the relationship between Concertación/Frente Amplio parties and business elites/trade unions influenced wage policy-making? Has it changed over time? Has it changed in terms of policy agenda implementation? How and why has this influenced the role of business elites and trade unions?

8. Who do you think benefited the most from reforms adopted in Chile/Uruguay and why?
9. Do you think it was important to privilege minimum wage over collective bargaining?
Why? What would have been the difference of advancing collective bargaining instead?
What was lost by not introducing better minimum wages?
10. Were trade unions aware of the expected benefits of wage policies? Do you think the bargained reforms (collective bargaining + minimum wage) had an impact on improving/decreasing the bargaining power of trade unions?
 - a) How have these reforms included domestic workers?
 - b) Has the policy-making also considered how these reforms interact with other social policies? For example, has the success of poverty reduction policies impacted wage policy?

Annex II: List of Interviews

In Chile

Interview #1. Former Ministry of Labour (1990s) and Presidency (2000-2006) advisor for employment policies in Chile. International consultant for employment policies and public policies. Member of Bachelet's Work and Equity council. 20-Apr-15

Interview #2. Chilean policy advisor at the Ministry of Labour (2006-2010) and Trade Unions policy advisor (2010s). 20-Apr-15

Interview #3. Labour policies advisor in the Chilean Ministry of Labour (2000s and 2010s). 21-Apr-15

Interview #4. Former Presidency (2000-2006) advisor for employment policies. International consultant for employment policies and public policies. Member of Bachelet's Work and Equity council. 21-Apr-15

Interview #5. International Labour Policies Advisor in Chile (1990s and 2000s). 22-Apr-15

Interview #6. Chilean labour policies and gender policies advisor (1990s and 2000s). 27-Apr-15

Interview #7. Former Ministry of Labour (1990s and 2000s) advisor in Chile. 27-Apr-15

Interview #8. International Labour Policies Advisor in Chile (2000s and 2010s). 28-Apr-15

Interview #9. Ministry of Labour Top Official in Chile (2006-2010). 29-Apr-15

Interview #10. Domestic Workers Unions Top representative. 29-Apr-15

Interview #11. Chilean Trade Union policy advisor. 07-May-15

Interview #12. Former policy advisor for Ministry of Labour on domestic service. Domestic service unions advisor. 12-May-15

Interview #13. Former Ministry of Labour (1990s) and Ministry of Finance (2006-2010) advisor for employment policies in Chile. International consultant for employment policies. 03-Aug-16

Interview #14. Ministry of Labour Top Official (2000-2006). 08-Aug-16

Interview #15. Chilean Trade Unions policy advisor (2000s) and Legislative Advisor (2000s and 2010s). 10-Aug-16

Interview #16. Ministry of Labour Top Official (1990s and 2000s). 11-Aug-16

Interview #17. Concertación Congress representative (1990s and 2000s). 16-Aug-16

Interview #18. Chilean Ministry of Labour Top Official (1995-1998). 16-Aug-16

Interview #19. Ministry of Labour Top Official (2000-2006). 18-Aug-16

Interview #20. Concertación Congress representative (1990s and 2000s). 26-Aug-16

Interview #21. Chilean policy advisor at the Ministry of Labour (2006-2010) and Trade Unions policy advisor (2010s). 02-Sep-16

Interview #22. Concertación Governments Top Official (1990s and 2000s). 06-Jul-17

Interview #23. Concertación Governments Top Official (1990s and 2000s). 27-Jul-17

Interview #24. Ministry of Labour Top Official (2006-2010). 02-Aug-17

Interview #25. Concertación Congress Representative (2006-2014). 07-Mar-18

Interview #26. Concertación Labour Policies Legislative Advisor (2000s and 2010s). 30-Mar-18

Interview #27. Concertación Senate Representative (1990 to 2006). 14-Apr-18

Interview #28. Ministry of Finance Top Official (2006-2010). 02-Oct-18

In Uruguay

Interview #29. Uruguayan Ministry of Labour Top Official (2000-2005). Legal specialist. 02-Apr-15

Interview #30. Representative of the Industries Chamber (2000s-2010s). 03-Apr-15

Interview #31. Representative of the Uruguayan Commerce Chamber (2000s-2010s). 03-Apr-15

Interview #32. Uruguayan Ministry of Economy Top Official (2013-2015). Main Employment Relations academic (1990s and 2000s). 08-Apr-15

Interview #33. Top Uruguayan Policy advisor (1990s until now). Main Employment Relations academic (1990s until now). 09-Apr-15

Interview #34. Uruguayan Ministry of Labour Top Official (2005-2010) and PIT-CNT member. 10-Apr-15

Interview #35. Uruguayan gender policies advisor. 13-Apr-18

Interview #36. Ministry of Labour Top Official (2005-2015). Former Unions advisor. Key legal advisor for Salary Councils new Law. 13-April-15 and 20-Sep-16

Interview #37. Top Member of the Housewives League in Uruguay. 14-Apr-15

Interview #38. Top Member of SUTD in Uruguay. 16-Apr-15

Interview #39. Former PIT-CNT representative. Frente Amplio Uruguayan Congress representative from 2005 to 2015. 08-Sep-16

Interview #40. Former PIT-CNT representative. Frente Amplio Uruguayan Congress representative from 2005 to 2015. 13-Sep-16

Interview #41. Uruguayan Congress representative from 1995 to 2015. 13-Sep-16

Interview #42. Former PIT-CNT representative and Ministry of Labour Top Official from 2010 to 2015. 15-Sep-16

Interview #43. Partido Colorado politician and government Top officer in 1985-1990 and 1995-2000. 19-Sep-16

Interview #44. Partido Nacional Uruguayan Congress representative from 2005 to 2015. 19-Sep-16

Interview #45. Partido Nacional Uruguayan Congress representative from 2005 to 2015. 20-Sep-16

Interview #46. Ministry of Labour Top Official (1985-1990). 21-Sep-16

Interview #47. Former PIT-CNT representative. Frente Amplio Uruguayan Congressman from 2005 to 2015. 21-Sep-16

Interview #48. PIT-CNT Top representative. 22-Sep-16

Interview #49. Uruguayan Ministry of Economy Top Official (1990-1995) and Partido Nacional politician. 22-Sep-16

Interview #50. Uruguayan Ministry of Economy Top Official. Top Partido Colorado Politician. 26-Sep-16

Interview #51. Uruguayan Ministry of Economy Top Official (2003-2005) and Partido Colorado Senate representative (2005-2010). 27-Sep-16

Interview #52. Partido Nacional Uruguayan Congress representative from 2005 to 2015 and Top Ministry of Labour Official (2000-2005). 28-Sep-16

Interview #53. Partido Nacional Uruguayan Congress representative (2010-2015) and Ministry of Labour Top Official (1995-2000). 28-Sep-16

Interview #54. Frente Amplio Uruguayan Congress representative (2005-2010) and Ministry of Labour Top Official (2010-2015). 29-Sep-16

Interview #55. Partido Nacional politician and Partido Nacional Top government official (1990-1995). 29-Sep-16

Interview #56. Uruguayan Ministry of Economy Top Official (2005-2013). 30-Sep-16

Interview #57. Uruguayan Ministry of Labour Top Official (2005-2010) and PIT-CNT legal advisor. 30-Sep-16

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